The NATIONAL UNDERWRITER

THURSDAY, OCTOBER 17, 1957

THE NATIONAL UNDERWRITER. Published weekly by the National Underwriter Company, Office of Publication, 175 W. Jackson Blvd., Chicago, Ill., U. S. A. 61st year, No. 42, Thursday, October 17, 1957, $7.50 per year (3 years, $20); Canada, $8.50 per year (3 years, $23); Foreign $9 per year (3 years, $24.50). 30 cents per copy. Entered as second-class matter April 15, 1931 at the post office at Chicago, Ill., under Act of March 31, 1879.

The NATIONAL UNDERWRITER

61st Year, No. 42
Oct. 17, 1957

The National Weekly Newspaper of Fire and Casualty Insurance

Lemmon Speaks Forthrightly Against Bureau Conformity

"Double Talk" Of Advocates Of Bureau Supremacy Is Blasted By NAII Manager

Strong talk and the readiness to back it with legal action were offered in the address of Vestal Lemmon, general manager of National Assn. of Independent Insurers, before the annual meeting in Chicago this week of NAII. He spoke unequivocally in criticism of those who uphold the principle of strict conformity with rating bureau standards. Mr. Lemmon's argument was for open competition, and he spoke with the authority of a leader in his cause.

Vestal Lemmon

"As ardent champions of state regulation, it grieves us to observe forces at work which are calculated to undermine it. I am referring, of course, to the conserved onslaught made upon the principle of competition," Mr. Lemmon declared. The average person outside of insurance might be surprised to learn that those who preach the virtue of competition and independence of action should be branded in some quarters as upstarts and even heretics, he said. The fire and casualty business

(CONTINUED ON PAGE 32)

Commercial Car And Garage Rates Rise

National Bureau of Casualty Underwriters has revised automobile liability rates for commercial cars and for division 1 garage risks with policies written on a payroll basis in a number of states, effective Oct. 16.

Commercial car rate changes result in average statewide increases in Arkansas, Georgia, Indiana, Maine, Minnesota, Nebraska, Vermont, Wyoming and District of Columbia. The garage risks affected by rate changes are those buying the broad coverage afforded under the division 1-premises-operations-automobiles definitions.

Companies have experienced adverse underwriting results on garage business in most states, according to the bureau. Even the increase in wages for garage employes in recent years has not provided much material help in offsetting the increased cost of settling claims as all employes are rated on a fixed maximum payroll basis.

The garage rate changes which vary by territory, result in average statewide increases in Delaware, Georgia, Indiana, Maine, South Dakota, Vermont, Wyoming and D. C.

Miss. Commission Law Held Unconstitutional

Mississippi supreme court has declared unconstitutional a law under which the majority of fire insurers writing business in the state decide the commission rates for their agents.

Allstate challenged the statute by fixing its commission rate at 15% rather than at 25% set by the majority of companies and promulgated by the state insurance commission.

Justice Ethridge wrote that requiring the commission to act on a decision of the majority of insurers constituted an "improper delegation of legislative power."

Ill. Agents Manager To Join Prudential

Edward J. Dirksen, executive manager and secretary of Illinois Assn. of Insurance Agents, will leave this position Nov. 1 to take up new dutes as associate counsel in the Mid-America office in Chicago of Prudential.

E. J. Dirksen

Directors of the agents' association have appointed the field secretary, Kelly C. Graham, acting executive manager effective Nov. 1. Mr. Dirksen will continue in office until after the annual convention of the association at Peoria, Oct. 27-29.

• • •

John A. Naghten, Chicago, president, said that during the almost 5 years Mr. Dirksen has been manager, the Illinois association has made great strides. The membership has risen to nearly 1,200, a 50% growth and the association has become "a more dominant influence in the interest of the independent general insurance agents in Illinois, and in its affiliation with the National Assn. of Insurance Agents."

Mr. Dirksen has spent most of his working life in insurance. After graduation from business college in 1927, he was employed as an underwriter by Continental Auto Underwriters of Springfield for a year. He then joined the department of insurance in the bureau of liquidations. He was retained by each succeeding director, and as a career man became assistant director handling legal matters before affiliating with the agents' association.

FTC May Inspect The Fund's Records, Supreme Court Says

High Court Reverses Appeals Court Which Upheld Refusal To Show Records

WASHINGTON—U. S. Supreme Court has reversed the ninth circuit court of appeals decision upholding the refusal of President James F. Crafts of Fireman's Fund to produce A&S advertising material in the proceedings brought by Federal Trade Commission.

The Supreme Court issued a per curiam opinion which merely cited the Endicott Johnson and Oklahoma Press cases as the basis for its ruling. The opinion has the effect of affirming the FTC argument that it possesses the power to subpoena the advertising records. The question of FTC jurisdiction over A&S advertising is not directly touched here.

This means that the case now may be returned to the FTC hearing examiner and the commission for trial. It reinstates the opinion of the federal district court which ordered compliance with the subpoena.

Fireman's Fund, accused of deceptive A&S advertising by FTC, refused to comply with a commission subpoena ordering Mr. Crafts to submit certain requested documents to J. Earl Cox, the hearing examiner. The company contended that FTC lacked jurisdiction, that the A&S exhibits were not relevant to any inquiry within the commission's authority, and that public law 15 left the jurisdiction to the states.

• • •

FTC took the case to federal district court which ordered Fireman's Fund to comply with the subpoena. The court said the question of jurisdiction should be raised later.

The company appealed. Appeals Judge Fee, who wrote the opinion favoring the company, said the subpoena was too broad and that the action to endorse it was initiated to obtain disclosure of the records without settling the question of FTC's power to investigate the company in this proceeding. He did not rule broadly on the matter of jurisdiction under the McCarran act because the court was not asked to do so.

The commission then asked Supreme Court to review the circuit court decision. The court's short opinion in granting the petition included no discussion of the reasons for the ruling. It simply cited the two cases.

The subpoena issue is a procedural one. Fireman's Fund fought the case mainly on the subpoena, and the courts have decided narrowly on that issue.

Highlights of the Week's News

Thorn Sees Agents At Crisis, Suggests Ways They Can Improve Chances In Future

Agents still hope to be able to discuss with insurer representatives what can be done alternative to a flat 5% cut in commissions on automobile casualty in New York, Craig Thorn Jr. of Hudson, president of New York State Assn. of Insurance Agents, told regional meetings of the group at Poughkeepsie and Albany.

He said agents appreciate the difficulties of the companies, which filed for a much needed rate increase and were counter-offered a part of the increase by the insurance department. National Bureau of Casualty Underwriters then indicated it would refile, using a 20% instead of a 25% production cost allowance. What the agents are seeking, Mr. Thorn said, is a discussion of all aspects of the situation.

More than 150 attended the Poughkeepsie meeting and more than 1,000 the Albany session. Herbert S. Brewer of Lockport, executive vice-president of the association, was regional meeting chairman. At Poughkeepsie Elmer T. Nelson, local chairman, and H. Lewis Kolodny, regional vice-president, handled the meeting. At Albany Mrs. Alma P. Sherman of Schenectady, regional vice-chairman, conducted the meeting. George P. Straub, local chairman, was ill.

Others on the two programs were Robert B Douglass of Potsdam, chairman of the legislative committee, Harold LaRonge, manager of the farm department of Home, Stuart H. Smith, production engineer of Agricultural, Arthur L. Schwab of Staten Island, chairman of the public relations committee, and Kenneth O. Force, executive editor of THE NATIONAL UNDERWRITER.

• • •

At Poughkeepsie, Carmine Orsini, chief damages evaluator of the motor vehicle bureau, and Julius S. Wikler, first deputy insurance superintendent spoke. Mr. Wikler is running for supreme court justice on the Democratic-Liberal ticket. At Albany the motor vehicle bureau was represented by Richard H. Barrell, chief damages evaluator, and the insurance department by John Joyce, chief examiner.

Amos E. Redding, secretary of Aetna

(CONTINUED ON PAGE 16)

Maguire Elected Head Of Philadelphia Agents Assn.

John J. Maguire of Platt-Yungman & Co. was elected president of Insurance Agents & Brokers Assn. of Philadelphia & Suburbs at its annual meeting. He succeeds Thornley B. Wood.

U. S. Anti-Trust Chief Praises Holz Decision In North America Case

"A good example of effective supervision (over the activities of private rating bureaus) is a recent decision by the New York insurance department, recognizing the right of an insurer to withdraw from a rating bureau and to file independent rates which are lower than the bureau rates," members of National Assn. of Independent Insurers were told at their meeting in Chicago this week by Victor R. Hansen, assistant attorney-general in charge of the anti-trust division of the U. S. Department of Justice.

Mr. Hansen, after reviewing the activities of the Justice Department with relation to insurance, commented at the conclusion of his talk that the question may be raised as to whether the grant of what can be considered governmental power to private rating bureaus is so great as to be invalid on constitutional grounds. This question, he said, emphasizes the importance of supervision by the insurance department over the activities of rating bureaus. The decision of the New York department upholding the independent filing (of North America) is a case in point, he declared.

"To the extent that the state imposes strict conformity upon the insurance industry and eliminates or greatly restrains the area for independent action in rate and methods of operation, to that extent the underlying purpose of the McCarran act—which is to preserve and protect healthy competition in the insurance industry—becomes undermined," Mr. Hansen observed.

He went over the history of the SEUA case, Public Law 15, etc. Since the passage of the McCarran act in 1945, he remarked, several anti-trust cases have been instituted by the government in the insurance field. One of the more important is U.S. vs Investors Diversified Services, filed in 1951 and terminated by a consent judgment in 1954. The complaint charged IDS, a large residential mortgage company, was entering into agreements with its residential mortgage loan borrowers which illegally required the borrowers to agree that all insurance on the property secured by the mortgage would be written, placed and sold by IDS. The consent judgment terminated such agreements and prohibits similar agreements in the future. Mortgagees are required to inform loan applicants and existing mortgagors of their right to select insurance of their own choice.

The IDS decree has been a subject of considerable comment in the mortgage and insurance fields, and has been an important factor in educating lenders to avoid insurance tie-in practices, Mr. Hansen said. The anti-trust division has been advised by agents that this is so, he added. Doors are now open to agents which formerly were closed. This is encouraging, he remarked, confirming the opinion of the Justice Department that responsible lenders will voluntarily seek to eliminate objectionable practices.

However, complaints are still received although the major portion deal with requirements adopted by mortgagees which can be interpreted as legitimate safeguards of the mortgagee's interest. The curiosity of the anti-trust division is especially aroused, Mr. Hansen said, when a pattern of complaints builds up against a particular lender or servicing agent "and we have knowledge that officers of the mortgage company have an interest in, are officers of the insurance agency or company which obtains this

(CONTINUED ON PAGE 31)

Stuart Weyforth Joins Menner & Co. As V-P

B. Stuart Weyforth Jr. has joined Leo B. Menner & Co. of Chicago as executive vice-president and director. He has been vice-president of Lumbermens Mutual Casualty.

B. Stuart Weyforth Jr.

Mr. Weyforth has been in insurance for 22 years and was with U.S.F.&G. and Continental Casualty before joining Lumbermens Mutual Casualty. With the Kemper companies he was a vice-president in charge of production.

Leo B. Menner & Co. operates on a world wide basis handling Lloyds business for agents and brokers and reinsurance for insurance companies.

Enjoin Ohio Director From Collecting $3 License Fees

Ten foreign insurers have obtained a temporary injunction against Director Vorys of Ohio to prevent him from collecting a $3 fee for licenses for agents of non-Ohio companies. They charge that this is discriminatory because agents for Ohio companies are charged only $2. No date for hearing has been set.

Start Construction Of Travelers Building

Travelers will start construction of a 16-story building in the heart of downtown Boston Nov. 1. The cost of the building has been estimated at $7 million. It will be constructed at 125 High street, a site formerly owned by the *Boston Post* and purchased by Travelers at auction earlier this year, for $475,000.

Travelers will occupy four floors of the building with its Boston branch office and the remaining 12 floors will be occupied by other tenants. It will be the first large office building erected in the area since 1929.

The building will be constructed of white and blue brick masonry over a steel framework. A center section, three stories higher than the 16 office floors, will be faced with white glazed brick. This section will house most of the building's facilities including elevators and stairways.

Change Name To O'Connor & Co.

Mohawk agency of Chicago has changed its name to William K. O'Connor & Co. William K. O'Connor Jr. who organized the agency in 1951, has been appointed to represent a number of foreign companies. He entered insurance in 1950 and has specialized in hard-to-place risks as general agent and surplus line broker. His father, William K. O'Connor Sr., has been in insurance for 45 years and is vice-president of Kurt Hitke & Co.

Casualty Officials, Agents Enjoy Rally At White Sulphur

Gloomy Loss Ratios Fail To Dampen Spirits At Traditional Parley

By JAMES C. O'CONNOR

WHITE SULPHUR SPRINGS, W. VA.—The joint annual meetings of National Assn. of Casualty & Surety Executives and National Assn. of Casualty & Surety Agents were held here last week in their traditional spot and, also traditionally, with more emphasis on relaxation and fellowship than on formal sessions, prepared speeches and public debate. While there was inevitably much informal discussion of the gloomy underwriting picture, there was far more audible complaint over the gloomy weather of the first two days and its interference with golf and other outdoor sports. But by Tuesday the weather picture had changed, though the underwriting picture had not and the registrants were happily spread over the many outdoor spots of the Greenbrier.

• • •

J. E. Cochran, Hagerstown, Md., president of the agents association, devoted much of his address to the automobile situation, urging the formation of a joint committee from the producers associations and the companies to reexamine the question of compulsory insurance and unsatisfied judgment funds and, if possible, to work out a united approach to legislative problems. He called the present disagreement between segments of the business both confusing to the public and likely to produce bad laws, particularly dangerous in an era when legislatures are certain to be considering the poblem. Mentioning the recent newspaper stories that a new rate filing in New York will include a reduction in production cost allowance, Mr. Cochran insisted that commissions are a matter between companies and producers and producers should be heard before any such action is taken anywhere.

Not only has the insurance business done a poor job with public relations in connection with the automobile problem, Mr. Cochran said, but it has failed to get itself credit for many services it has performed for the public. He said he never saw any public recognition of the catastrophe service of the companies in connection with recent tornadoes and hurricanes, except in the television program of a large mutual group. Multiple line package policies, particularly in the dwelling field, have been widely accepted by the public and have been most helpful to producers and companies alike in boosting premium volume. Mr. Cochran said he hopes the impending changes will not bring about increased rates or reductions in coverage.

• • •

The address of W. T. Harper, president of the company association, was reported in THE NATIONAL UNDERWRITER last week. Mr. Harper's forthright call for united and progressive thinking in meeting the present crucial situation and for devising of rating procedures which will not leave the business lagging behind inflationary cycles brought out much comment, but it was not the subject of any resolutions.

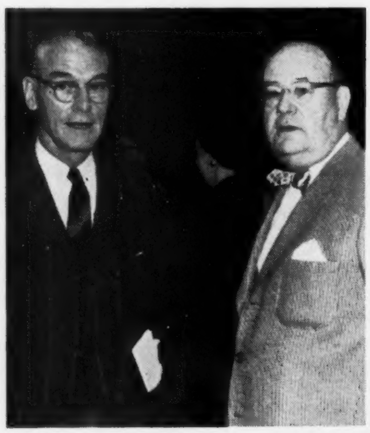
In addition to electing B. H. Paddock of General Underwriters, Detroit, president, the agents made some changes in their official setup. As reported last week, there will now be an executive committee of ten members, instead of five members and five alternates. R. E. Stitt of Joyce & Co., Chicago, had been secretary and for many years Alice M. Foy of that office had served the association as treasurer. Miss Foy retired from business recently and consequently is no longer in a position to carry on with that activity. The agents decided to combine the two offices, Chase Ridgely of J. Ramsey Barry & Co. of Baltimore taking over. The association presented Miss Foy with a gift in appreciation of her services and sent her a telegram and flowers from White Sulphur.

T. W. Earls, Cincinnati, past president of the agents group, retired the golf trophy last year by winning it too often. He and his brothers, J. V., who is associated with him in the

(CONTINUED ON PAGE 28)

T. R. Dew, Chubb & Son; Mrs. Dew; Mrs. H. F. Warner of Kansas City; J. L. Powell, Chubb & Son, and Nathan Mobley of Chubb & Son at the joint casualty meeting.

"Right-Hand Women" of leaders at the joint casualty meeting: Mrs. W. C. Brackman, secretary to Ray Murphy of Assn. of Casualty & Surety Companies; Mrs. Benjamin Josefsberg, secretary to J. Dewy Dorsett of Assn. of Casualty & Surety Companies, and Miss Ruth Lackner, secretary to Chase Ridgely, new secretary of National Assn. of Casualty & Surety Agents.



F. C. McVicar, vice-president of Hartford Accident, with Walter M. Sheldon of W. A. Alexander & Co., Chicago, at the White Sulphur Springs meeting.

Jack Conklin, Hackensack, N. J., newly elected member of National Assn. of Casualty & Surety Agents executive committee, looks on as the new president, B. H. Paddock, Detroit, receives congratulations from his predecessor, J. E. Cochran, Hagerstown, Md.

Cal. Legislator Threatens State Fund For Auto

C. H. Wilson, a local agent at Los Angeles and a member of the California assembly, has threatened to introduce an automobile state fund bill at the next legislative session because insurers, he says, are not liberal enough and are turning down people who are members of a minority group. He argues that underwriters are primarily interested in safe risks at high premiums and if the business is unwilling to provide protection it would be proper for the state to go into the insurance business so the public interest can be protected.

Mr. Wilson is vice-chairman of the assembly finance and insurance committee. He said he intends to request hearings to draft legislation for a state fund to insure persons declined by private companies.

Chester Lowe & Co. of Little Rock has been appointed Arkansas state agent for Holland-America of Kansas City. Mr. Lowe has been in insurance for 20 years. He has been a field man for the Coates & Raines general agency and for 10 years was superintendent of the audit bureau in Arkansas Rating & Inspection Bureau. He has had his own general agency since 1952.

Modernization, Upgrading Of Insurance Accounting Process Urged By Steel

The corporation controller is becoming more and more an important "partner in management" in the insurance business where cost accounting is still in its infancy, John A. Steel, president of Pacific National told Pacific Coast Insurance Accountants Conference at San Francisco last week. Mr. Steel stressed the increasing importance of the accounting departments and the use of current figures as a guide to planning and meeting situations. This is, he said, of greater import today when the industry faces its most critical problems. Simplification and speed are essential.

John A. Steel

"The controller is the prime mover in our business today," he said, "and must be a real partner in management. The captain is lost without his navigator, the insurance executive is at sea without his controller. The controller must not be merely a 'man of figures,' he must know how to analyze and interpret them. He must have imagination and willingness to look ahead, inside and outside."

At the outset of his talk Mr. Steel said in part:

• • •

"It seems incredible that in a business that depends so much on figures the one man who deals most with them has not been in the forefront of management. The controller is the mirror of management. The systems, results, the whole picture of company operations, are the reflection of what management itself has done. In one sense, the controller plays a passive role in reflecting management. He cannot 'doctor' the books to make a poor picture look good, he must report what he sees. To a perceptive management, this may be enough, but the extreme complexity of insurance operations today coupled with the increasingly large burden of statistics that must be scanned and understood necessitates an active, positive role. The passive role of the controller is insufficient."

Mr. Steel said he believes there is a close similarity in the field of controllership and in the field of sales management.

"In the latter", he said, "we have progressed from the outdated concept of sales as merely street pounding and doorbell pushing. In recent years, the term marketing has come to the fore to describe the full range of activities in the selling of an item to the consumer.

• • •

"In the same manner, we have progressed from the outdated concept of accounting as typified by the high stool, paper cups and green eyeshade. Controllership is being recognized as dealing with the whole range of company operations from the point of view of accounts. The function of the controller, or more descriptively, the controller of accounts, is providing basic information for management control through formulation of accounting costs and policies, standards and procedures, preparation of financial statements, and maintenance of books of account; direction of internal auditing and cost controls. From this we can see the tremendous scope of the job and its integral part in the management picture."

Aside from the day to day duties of accounting and statistics, Mr. Steel said the two major duties of the controller—both requiring an active participation in company operation—are in the field of management reports and in the area of long range planning.

• • •

Of management reports, he said he feels they play "an extremely vital function in our business today; the tremendous complexity and mass of detail that is part and parcel of our business requires a sifting of the relevant from the irrelevant, the important from the unimportant, the exception from the usual. The controller should be the source of management reports. His knowledge and understanding of the whole operation is necessary before the multitudinous bits of information can be sorted, analyzed and interpreted in digestible form from which management can make decisions. Reporting the same old figures in the same old way forevermore will not suffice. A controller must have and use imagination in spotting the exceptions, the trends and the unusual, and reporting on them in a manner that will insure quick, effective and corrective action. Management must know day to day exactly where it stands. In our business, where a great deal of undesirable liability can pile up in short order, management must know exactly what its plot on the chart is and where it is heading." He emphasized the importance of planning for the fiscal year as well as for long range.

• • •

"On the top level, projections of the present base of operations of premiums, losses, expenses and the unearned premium reserve, with its total effect on surplus, are of extreme importance." he declared. "What is this book of business going to do, where are we going to be? A knowledgeable and perceptive controller can give a pretty educated guess. Projecting these figures along with trend figures is the basis of determining the future course of action for management. It is the only way to indicate future capital needs, if any. In addition to this, important decisions as to the number of people you will need to service the premiums where they will be placed, requirements of space and materials, all are indicated."

Merely having figures, he remarked, will not solve the important problems of the future. Unless the controller is brought into his proper sphere and given full support and authority, he cannot assist management in any real system of controls.

"Before we can translate the new concept of controllership into effective action, there are certain problems in the insurance accounting field which must be overcome," he suggested. "The first of these is the subject of insurance accounting itself. For many years, we have maintained that insurance was different and that our accounting must be different. True, such items as unearned premium reserve, Schedule P and others are peculiarly relevant to our business but there are many areas where we have tied ourselves to this 'differentness' and refuse to see many of the advances in the area of control of accounts. I believe we must look outside of our industry for new ideas, processes, and systems that have proved successful. We must have an open mind to adapt them where they can help us.

"Contingent upon a close analysis of the functions in other industries, there is need to unravel this knotted

(CONTINUED ON PAGE 35)

Barraclough, Baker Are Advanced By Phoenix Of Hartford

Phoenix of Hartford has appointed Alfred S. Barraclough manager and Frank E. Baker Jr. associate manager of the home office casualty claims division.

Mr. Barraclough joined the company last June. He was formerly with National Fire and in the claims department of London & Lancashire Indemnity. Mr. Baker has been with Phoenix of Hartford since 1929 and has previously held the posts of supervisor, assistant superintendent and assistant manager of the automobile and casualty claims divisions.

Two Named To Kemper Jr. Board

Frederick J. Dugle and Walter A. Huff have been elected members of the Kemper junior board. Mr. Dugle is assistant director of education and training and Mr. Huff is an experience review underwriter in the central department.

Mich. Study Commission Hears Some Of The Bad Points Of Compulsory

LANSING—Gov. Williams' special commission studying the problems of the uninsured motorist heard plenty of opposition to compulsory automobile insurance as a solution at its meeting during the past week.

Waldo O. Hildebrand, secretary-manager Michigan Assn. of Insurance Agents and a commission member, told the group that compulsory insurance only creates new problems which harass the responsible driver and force his rates up.

"Once such laws go into effect," he said "you have enforcement problems to deal with. You've got to think about out-of-state drivers who don't carry the coverage, the illegal driver, the hit-and-run driver and the driver with the borrowed or stolen car."

Elmer E. White, secretary-manager of Michigan Press Assn. also voiced opinion that a compulsory law would only penalize good drivers. "We would be putting lousy drivers in a position where their accidents would be paid for by everyone else," he said.

Mr. Hildebrand criticized James M. Hare, secretary of state and ex officio chairman of the commission, for attaching the commission's name to what Mr. Hildebrand charged was a slanted and personal poll of some 2,000 motorists regarding their opinion of compulsory coverage. The poll results heavily favored some form of compulsory. Mr. Hare has consistently advocated compulsory since being involved in an accident in which he was injured and the other driver was uninsured.

Cornelia Groefsma, Detroit lawyer and commission member, said she believed many drivers failed to realize they are not insured against liability and that education is at least a partial answer to the problem.

Edward R. Curtis, commission chairman and counsel for the Michigan State University traffic safety center, named two subcommittees to make intensive study of the two general plans for meeting unsatisfied judgments aside from utilizing the now available riders on existing auto policies. City Judge William C. Burke, Battle Creek, was named chairman of a subcommittee to study a proposed unsatisfied judgment fund, while Harold Norris, Detroit lawyer, was chosen to head a group studying a straight compulsory insurance proposal.

Casualty Underwriters To Hold Workshop At Dallas

Dallas Casualty Underwriters Assn. has scheduled a workshop on underwriting for Nov. 6. The all-day meeting will be in three sessions—a speaker on compensation followed by a panel discussion, a speaker on automobile by a panel discussion, and a talk on general liability followed by a panel discussion.

Rainey Price of Employers Casualty will talk on compensation; J. D. Squibb, manager of Texas Automobile Insurance Office, on automobile, and Richard S. Gerhard of Texas Employers on general liability.

E. S. Harrison of Dealers National is general chairman of the workshop, and sponsoring Dallas Casualty Underwriters Assn.

Hear Surgeon At San Antonio

San Antonio Claim Men's Assn. at the October meeting heard a talk by Dr. Charles W. Tennison, a plastic surgeon, who discussed plastic surgery as it relates to insurance claims. He made the point that it is important to save part of the thumb and part of the index finger in hand injuries. Even though saving these digitals may delay settlement of the claim, it will avoid the probability of permanent dsability, he said.

Extended coverage must be written on all public school buildings in North Carolina under a change in the general statutes made by the 1957 state legislature. It is expected the State Fund will offer EC at a rate of .04 or .05.

Calls Term Multiple Rise Ineffective, Urges Annual Rate Revision In W. Va.

Davis S. Butler of the Lee C. Paull general agency at Wheeling has filed a brief in oppostition to the proposed modification of the term rule, from 75 to 85% of the annual premium after the first year, in West Virginia.

Admitting that the underwriting experience of insurers indicates that higher rates are needed, he states that "the adverse underwriting experience of the companies was not caused by the present term multiples, and it will not be cured by a modification thereof."

The basic problem is that existing rate levels are inadequate as the result of inflation, aggravated by broadening coverages, the impact of installment payment of term premiums, and the pressure of unsound competition, he contends.

The filing constitutes an increase in rate for those policyholders only who purchase term insurance. There is no regard for the classified experience which can be the only basis under West Virginia law for a rate adjustment, he points out. If rates of any class or classes of risks are insufficient to show a reasonable underwriting profit, the commissioner has the power to increase them. The premium results required to be furnished by law do not substantiate the need for a rate increase on all of the occupational classes maintained for statistical purposes in accord with the statute, according to the brief, and he appends five years of experience by class to substantiate his contentions.

• • •

The filing does not propose any increase in the annual rates for classes that are clearly in the red for the last five years, he adds. It proposes to make up the underwriting loss by charging a higher premium from certain policyholders who are in occupational classes which have been profitable. This filing is a rate increase, not a rule change.

The commissioner should review the classified experience forthwith and authorize promptly adjustments in state rate levels that are justified in keeping with the rating law. West Virginia's revised insurance code effective Jan. 1 indicates legislative intent to give the commissioner more latitude in rate adjustments than under the old law. Annual rate levels need adjustment, and the department should take the initiative, if necessary, to maintain adequate rate levels on all classes of business.

The proposed modification, if approved, will aggravate the current adverse experience, Mr. Butler states. If the term multiples are increased, it will drive an increasing number of policyholders to purchase five year policies on the installment plan. By so doing they "freeze" their rate for five years. They retain the use of their working capital instead of tying it up in prepaid insurance, and the slight increment in rate which they pay for the privilege of annual installments is totally inadequate to compensate the insurer or agent for the additional work involved. The insurer, by making less attractive the purchase of prepaid term insurance, will find themselves under pressure to accept more and more business on the five year installment plan.

It has been suggested that five year term be abrogated. There probably is some merit to this suggestion in an inflationary period, but it prompts the inquiry if the current filing is only the first step in a series of progressive steps to render the term rule imperative.

• • •

The term rule should not lightly or hastily be set aside. It has served the public and the insurance industry well for 40 years. It was rather uniformly adopted in 1918 through additional classes have been made eligible

(CONTINUED ON PAGE 23)

XUM

Bond Underwriters Of N. Y. Hear Talk On Accounting Methods

Two commonly used accounting methods of recognizing contractors' income under long term contracts were discussed by J. Edward Burke of the accounting firm of Lybrand, Ross Bros. & Montgomery, in a talk at the October meeting of Assn. of Bond Underwriters of New York City. These methods, he said, are the percentage-of-completion and the completed-contract.

Under percentage-of-completion, the amount of income that may be recognized at any time is the percentage of estimated total income that incurred cost to date bear to estimate total costs, he said. Income computed in this manner, but not yet billed, would be a current asset. Billings in advance of recognized income would be a current liability. If the computation indicated that loss will be suffered on the contract he said, ordinarily provision should be made at once for the expected loss on the entire contract.

The principle advantages of the percentage-of-completion method are recognition of income currently as work progresses rather than irregularly as contracts are completed, and the reflection of the status of uncompleted contracts provided through estimates, he said, adding that the principle disadvantage is that it is dependent upon estimates of further costs which are usually subject to uncertainties common to long-term contracts.

• • •

On the other hand, he said, the completed-contract method recognizes income only when the contract is completed, or when remaining costs are insignificant.

He stressed that under the completed-contract method it may be appropriate to defer general and administrative expenses and consider them as contract costs, rather than writing them off currently. This is true particularly when the contractor has only one or two large contracts that may result in a better matching of costs and revenues, especially if no contracts are completed during a period.

The main advantage of the completed-contract method is that it is based on results as finally determined and is not subject to estimates which may involve unforeseen costs and possible losses, he said. The main disadvantage is that it does not reflect current performance when the period of a contract extends into more than one accounting period and thus may result in irregular recognition of income.

Newspaper Puts Glass On Hopps-Birrell Activities

New York *Herald Tribune* Oct. 15 started publication of a series of articles on Stewart B. Hopps, Lowell M. Birrell and others, and their financial operations over the last 20 years in and out of the insurance business. The series is written by David Steinberg.

The first of the series is entitled "Public Taken for $20 Million in Fraud," and states that the articles tell "how one small group of men, through corporate mismanagement, has deprived some 250,000 Americans of their security and investments." The activities of Mr. Hopps, one-time president of Rhode Island Ins. Co., now liquidated, and Mr. Birrell, New York lawyer, are followed through various financial and insurance transactions, including those involving Inland Empire, National of Denver, Louisville F.&M., and William Penn Fire.

Mass. Broker Lauds Compulsory, Backs Insured Driver Plan

There is not the slightest chance that the compulsory automobile liability insurance law in Massachusetts will be repealed, according to Arthur J. Gartland, Boston insurance broker and a member of the special legislative commission investigating operations under the law.

Speaking at the annual meeting of Insurance Brokers Assn. of Massachusetts, he praised the law as good for the public and the insurance business, and predicted that other states will follow the example of Massachusetts and New York in adopting compulsory auto. North Carolina already has done so.

However, Mr. Gartland advocated an insure the driver plan instead of the present system of insuring the car. He admitted there might be difficulties in carrying this plan out, but suggested as an alternative that the premium be based in the number of licensed drivers in an insured's household.

• • •

He also is in favor of making the automobile policyholder a "pro-indemnitor," liable to pay a percentage of each liability claim. He opposes an outright deductible, however.

He said that the special commission studying compulsory will not be doing a complete job if it does not go into the problem of highway safety. He warned that present rising accident costs involve the danger of pricing insurers out of the market.

So far, results of the investigation being carried on by the commission have reflected credit on the business and the state insurance department, he said.

Says Agency Failures Are On The Increase

Milton A. Dunn, production manager of Gulf at Los Angeles, addressing Insurance Credit Managers Assn., said the slow paying agent is becoming as prominent as he was in the depression days. "It is a sad fact that the number of busted agencies is on an alarming increase," he declared. "The case of NSF checks is becoming more prevalent."

Mr. Dunn's talk was entitled "Look, Ma, Insurance Accounting, No Hands." He said there has been a revolution in insurance accounting with the addition of key punch operations, etc., but the number of accounting employes has not decreased. Further, he noted, the job of collecting from the agent still is done in the same way.

Former Commissioner Of W.Va. Organizes New Fire, Casualty Insurer

Mountaineer Fire & Casualty has been organized in Charleston, W. Va., by Hugh N. Mills, former state insurance commissioner. Mr. Mills is president. His wife, Jane W. Mills, is secretary-treasurer and a director. John T. Atkins of Charleston is vice-president and a director. The company has an authorized capital stock of $100,000 and is registered with West Virginia securities department.

Fire Underwriters Assn. of the Pacific has scheduled an insurance educational course for southern California, to cover automobile, dwelling package policies and fire insurance, the courses to run twice weekly Oct. 21 to Nov. 21.

McCullough Criticizes Filing System As Complicated, Cumbersome And Expensive

Some of the weaknesses and problems involved in making filings in the multiple line field were discussed by Roy C. McCullough, assistant general counsel of Lumbermens Mutual Casualty, at the recent Mutual Insurance Technical Conference at Chicago. He said the system is too unwieldy in times where changes and experience are occurring rapidly. Insurance is so big and the dollar amounts involved so large that the companies no longer can afford to go along with the mechanisms that do not function quickly, he said. Experience reporting systems need simplification, and responsiblity must be centered and every part of the rating process streamlined.

• • •

Mr. McCullough indicated a lack of sympathy with the so-called hand-in-hand filing system. As part of the "compromise" which brought Multi-Peril Insurance Conference into being, the organization stock companies are committed to use the hand-in-hand system, Mr. McCullough said. This means that on a homeowner's filing there must be for each company a filing covering fire and allied lines, another for casualty and another covering inland marine. In the case of a company affiliated with a rating organization in each of these three fields in every state, this means that there must be three separate and almost identical acts by three different rating bureaus. In a case of stock companies, the three organizations are the local fire bureau, the inland marine insurance bureau and the National Bureau of Casualty Underwriters. The mutuals use the fire bureau, Transportation Insurance Rating Bureau and the Mutual Bureau. An independent for casualty rates or inland marine must either become affiliated with a rating organization supplying the service or file a casualty or inland marine segment or both independently. There are quite a few such companies, he noted.

• • •

The hand-in-hand filing arrangement has "several deficiencies," Mr. McCullough declared. The first is that its basis is in the concept that a package policy is simply a combination of fire, casualty and inland marine coverages and that to preserve the "jurisdiction" of the various bureaus each bureau must have complete control over the segment of the package which falls within its area. The theory is that nobody but a casualty bureau was supposed to have anything to do with filings which include some part of a casualty coverage, he said. This holds for inland marine as well.

"I suggest to you that this is the same kind of nonsense that has plagued the field of labor relations. It sounds like the old argument of whether, in the installation of telephone cable and a pipe, the pipe layers union or the wiring union should have control of who pulls the wire through conduits at a telephone installation. It is the sort of monkey business that requires in some communities that if you are installing a dishwasher in your kitchen, you must have a cabinet maker put the dishwasher in, and then after he departs, a plumber must hook up the water and then an electrician must come in and do the wiring. The idea that all three skills might become concentrated in one team of workers is something that we are not even supposed to think about."

He suggested that the hand-in-hand technique is simply a "gesture to this concept of 'jurisdiction.'" If it is to work with efficiency, all decisions must be made in one place, for example by MPIC for the stock companies. If the three rating organizations have the power to second guess the decisions of MPIC and there is disagreement among the three filing bureaus, Mr. McCullough said everything must grind to a halt. If, on the other hand, each of the bureaus simply puts the rubber stamp to the MPIC proposal and makes identical filings after receiving the material, "just what has been accomplished by the extra paper work and what is the point of preserving the fiction of separate jurisdictions?"

The second difficulty with the hand-in-hand system, he observed, is that it produces a "welter of paper work." It is difficult enough to sell a complicated rate filing to a poorly staffed insurance department without confusing the personnel or causing unnecessary labor by crippling the amount of paper work. "Inability of the business to come up with a simple method breeds an unconscious resentment against what is put into the filings," he said.

• • •

Additionally, the hand-in-hand filing method is not conducive to getting semi-independent companies to go along with the organization filings. A company, for instance, which uses organization rates in inland marine and fire but makes its own casualty rates and is not affiliated with a casualty bureau, may join a casualty organization for this service alone or undertake to make casualty filings independently. "If it takes this course and is faced with a certain amount of paper work, it is sometimes inclined to go independent on the entire package on the theory that very little more work is involved," he said.

The artificial divisions created by the hand-in-hand filing system also leads companies to try to be different on one segment of the package policies. Mr. McCullough said the company independent for casualty may want to be lower than the bureau on that part of the premium.

"If you believe, therefore, in the idea of organization rate making, the hand-in-hand filing approach is not particularly designed to make membership in rating organizations appealing," he said. "I think it leads to more and more independent departures."

The rate level of homeowner's and comprehensive dwelling policies as it existed in the first part of 1957 is somewhat low, Mr. McCullough said, particularly on the C policy and particularly in the northeastern section of the country. Current revisions of the term rule will have effect on package that even though homeowner's and CDP rates are increasing in line with the change in term discounts, both of the contracts are "somewhat underpriced" in that the current differential of about 25% from the tariff rates for similar coverages is too large.

"This judgment differential when

(CONTINUED ON PAGE 25)

Glens Falls Appoints Willmott, Hutchinson

Glens Falls has named Vice-president C. Sherman Willmott to head of fidelity and surety, succeeding Stanley B. Miller who has retired. Secretary E. P. Hutchinson was designated his assistant.

Mr. Willmott joined the surety department of Glens Falls in 1930 and was promoted to manager in 1945. He was elected an assistant secretary in 1948 and advanced to the office of secretary in 1951. He was elected vice-president earlier this year.

Mr. Hutchinson joined Glens Falls in 1928 as underwriter and was later appointed manager of the fidelity bond division. He was elected an assistant secretary in 1951 and secretary last March.

The **W. J. Morrissey agency** of Wisconsin National Life at Hortonville, Wis., has been merged with the **M. F. Ziehm agency** there, which writes fire and casualty lines.

Compulsory Auto Rates In Mass. To Rise 10%

Compulsory auto rates for 1958 will be increased in Massachusetts 10% by Commissioner Humphreys. The increase means that some 1,250,000 motorists there, will pay an additional $7,200,000 in premiums.

• • •

The new increase followed by two months a 19.6% compulsory rate boost for 1957 ordered by the Massachusetts supreme court after insurers claimed that the original 1957 rates were inadequate to meet claims.

It was reported that 1958 increases for commercial vehicles, such as trucks, buses and taxicabs, will range between 20 and 40%. This type of vehicle was unaffected by the supreme court ruling which dealt only with passenger cars.

The 10% boost in 1958 rates was substantially below the rates insurance companies wanted. They petitioned for an increase of 25.5%, based on sharply mounting claims and higher cost of individual claims.

It was considered possible that the companies will once again petition the supreme court if Commissioner Humphreys holds to the 10% increase after a public hearing on the tentative schedule.

Lefferdink Enterprise Buys Bosworth Agency

The Bosworth general agency of Denver has been purchased by Allied Colorado Enterprises, newly under the control of Allen J. Lefferdink who is president of Colorado insurance group.

Charles Bosworth, who heads the general agency, will continue to direct its operations as president. He has been associated with Mr. Lefferdink and Colorado insurance group for 10 years as an officer of Colorado Credit Life and general agent for that company. The general agency represents American Universal, American Live Stock, Colorado Credit Life, Colorado department of New York Fire, Dubuque F.&M., Founders, Harbor, Cincinnati Underwriters, New Mexico department of American Equitable, New York Fire, Pacific Fire and Royal Exchange Underwriters in Wyoming, Colorado and New Mexico.

The general agency is moving to offices in the Colorado insurance group building at Boulder, and a service office will be maintained in Denver.

Moore To Home Office Of Springfield F.&M.

Springfield F.&M. has transferred Donald R. Moore, Boston special agent, to the eastern department at the home office and advanced him to assistant superintendent of inland marine underwriting. He joined the company in 1947 and was named special agent at Boston in 1951.

Zurich Names Tanz In East

Zurich has appointed Elliott Tanz superintendent of casualty engineering in the eastern department. He has been assistant superintendent of national risks. He joined Zurich in 1956 and before that was a marine engineer for the War Shipping Administration and was for 10 years in insurance safety engineering.

Under **compulsory auto** in New York new certificates of insurance will not be needed by motorists to renew registrations and get 1958 plates. New evidence of insurance only will be required if there is a change of name, from the husband's to the wife's, for instance, on the registration.

Smith Tells Agents They Can Help In Current Situation

The most important matter confronting the fire insurance business today, is not changes in rules or revisions in forms or extensions of coverage, but the basic issue of rate levels, K. O. Smith, general manager of New York Fire Insurance Rating Organization, said at the regional meeting of New York State Assn. of Insurance Agents in Garden City.

Kenneth O. Smith

The fire insurance loss ratios continue to press upward at an alarming rate, he declared. The loss committee of New York shows that losses in the first eight months of 1957 were 27% over the same period of 1956.

The rating organization only assembles the statistics made by others and from that information files the results with the insurance department, he pointed out. Premiums less losses, less expenses should equal underwriting profit. Whenever any one of these three variables move out of proportion to others in the formula, then profits may increase or vanish completely and become underwriting losses for the companies.

• • •

Underwriting losses may result from increase in expenses, or increase in losses, or reduction in premiums, or a combined movement of all three variables, he said. The general expenses of all stock companies countrywide 1956, represented 9.2 cents per premium dollar. This represents a rise of only one-half cent in the last five years. All company expenses outside of acquisition costs for stock companies, countrywide 1956, represent 32.9 cents per dollar of premium, or an increase of 1.4 points since 1952. The total expense ratio, therefore, is 49. When this is placed in the rating formula along a loss ratio in New York state for 1956 of 56.1% it is quickly evident that the result was an underwriting loss of 5.1 points.

In order to develop an underwriting profit of 6%, it would be necessary to adjust one or more of the three variables in the rate to the extent of 11%, he said. This could be accomplished possibly by reducing one of the elements of expense, or by a reduction in losses, or by increase in premiums. "I am not going to talk today about the subject of acquisition costs. Much has been said recently concerning acquisition reduction. But looking at other variables in the rating formula, many companies are studying general expense in the light of employing the latest technology in office machines. But there is only 9.2 cents represented in general expense, not much upon which to whittle." However, he added, more will be heard about the writing of policies by electronic machines, which have already been successfully used by some insurers in the automobile lines.

Turning to the variable "losses" these are a part of the rating formula which is subject to some control by the agent, he said. Underwriting by the agent is not a lost art. It certainly is as important today as it ever has been. To do something effective about this variable in the rating formula, however, it is necessary for agents to talk fire prevention 52 weeks of each year.

According to reliable appraisal sources, basic building construction costs have risen 16% in the five years 1952-56. In that period written premiums in New York state, instead of rising with these increased property values or even with the amount of new construction, actually has fallen approximately 1%.

If insurance had kept pace with the increase in building and contents

(CONTINUED ON PAGE 19)

EUA Sales Forums Available In All Of Eastern Territory

Following a sample forum given at the Eastern Agents Conference held in Chicago during the National Assn. of Insurance Agents annual meeting, nearly all of the field clubs in eastern territory have been schooled in the presentation of an educational forum on the fundamentals of effective salesmanship.

The program is now being offered to local boards in the eastern states through state associations of insurance agents in cooperation with 19 field clubs in the area.

State association presidents, secretaries and public relations committees have been informed the program is now available. Arrangements are being completed for separate meetings with each local board which cooperates with field clubs in public relations and educational ventures.

It is planned that local board meetings will be held which will include the sales staff of the members as well as non-members at which time a team of five field men will present the fundamentals of effective salesmanship.

This educational program is designed to offset the sales efforts of direct writers and captive agents by sparking the continued use of proven sales techniques among organized local agents. It will also help the younger men in agency ranks to establish good sales habits for future years and it should be the start of a long-range selling program similar to those conducted by life companies and A&S salesmen.

In conjunction with the sales forum, a booklet *"Effective Salesmanship,"* prepared by the public relations committee of Eastern Underwriters Assn., will be distributed to agents attending meetings and will not be otherwise available to them. Additional text books on the techniques of salesmanship are also being recommended to local boards.

• • •

The following field clubs have developed their panels of field men available to local boards: Albany Field Club, Anthracite Fire Underwriters Club, Bay State Club, Connecticut Fire Insurance Field Club, Del.-Md.-D.C. Ins. Field Club, Mountain Insurance Field Club, Ins. Field Club of South Jersey, N. J. Ins. Fieldmen's Assn., Pennsylvania Field Club, Underwriters Club of Philadelphia, Pine Tree State Field Club, Poughkeepsie Field Club, R.I. Ins. Fieldmens Assn., Ins. Field Club of Rochester, Smoke & Cinder Club, Suburban New York Field Club, Western Massachusetts Field Club.

This program represents the start of a long-range and continuing effort to develop a sales approach among organized local agents in connection with the many and varied types of policies being made available under the present multiple line concept of the business.

Test forums were conducted by the Smoke & Cinder Club of western Pennsylvania last June with three local boards in cooperation with the Pennsylvania Assn. of Insurance Agents. The reception accorded the general plan resulted in its expansion to include the entire eastern territory.

Monmouth County (N. J.) Insurance Agents Assn. heard Frederick J. Gassert, state director of motor vehicles, and Roy H. MacBean, Cranford, state national director of New Jersey association, discuss the state's unsatisfied judgment fund at the October meeting.

Gott Heads New Ad, Sales Department Of Standard Accident

Robert H. Gott has been appointed by Standard Accident as manager of the newly formed advertising and sales department.

Mr. Gott has been with Standard Accident since 1949, starting as field representative in the Detroit area. In 1951 he was made production manager at Detroit, and in 1954 became manager at Cleveland. He went to the home office as sales development coordinator in 1956.

---

22 Nations Sign New Shipowner's Liability Accord at Brussels

A new international agreement fixing increased shipowner's liability limits for property damage, loss of life and personal injury through accidents at sea has been signed at Brussels by the representatives of 22 maritime nations attending the diplomatic conference on maritime law.

Titled the "shipowners liability convention," the new agreement raises, rather than limits, the indemnity people may now expect to recover in accidents at sea, according to Albert Lilar, Belgian president of the conference. "The figures agreed upon should insure a satisfactory indemnity in nearly all foreseeable cases," he said.

Representatives of the U. S. abstained from voting on the agreement, feeling that it constitutes too great a liberalization of U. S. domestic law.

The convention will take effect six months after ratification by 10 of the signing nations and will replace an accord in force since 1924. It adopts the British system of indemnity based on a set amount per ship ton—rather than the continental system which determines indemnity by the actual value of the ship, and fixes compensation at $67 per ship ton for property damage, and $207 per ton for loss of life and personal injury.

Under U. S. law, a shipowner's liability for loss of life or personal injury can be restricted to $60 per gross ton or the value of the vessel, whichever is the greater. Total property damage liability—if there is no evidence of known negligence—can be limited to the value of the ship following the accident. Another U. S. law allows limiting to $100 the amount a passenger may recover for damages to personal effects in a sinking.

Continental Casualty Names Kedzie To Training Post

Continental Casualty has appointed Daniel P. Kedzie superintendent of education and training. Before joining the company as director of educational research in June, Mr. Kedzie was assistant professor of insurance and finance at Marquette University. He has been an examiner with the Wisconsin department, and has taught at the University of Wisconsin.

National Farmers Union Changes

James M. Tulloch has been named underwriting and actuarial department manager of National Farmers Union of Denver to succeed D. K. Smith who recently resigned to join the home office force of Allstate Life.

Mr. Tulloch was senior casualty underwriter for Federated Mutuals of Owatonna, Minn., and casualty underwriting manager of Integrity Mutual of Madison before joining Farmers Union in April as assistant to Mr. Smith.

Arnold To Head Foreign Operations Of Kemper Group

John A. Arnold has been appointed director of overseas operations for the Kemper companies. The group has a new ocean marine department and a Brazilian branch office at Rio de Janeiro.

Mr. Arnold has been in the mutual fire insurance business for 42 years. He was a special agent with Fitchburg Mutual Fire from 1915 to 1923; secretary of Merrimack Mutual Fire from 1932 to 1936. He joined the Kemper organization in 1932, when he joined Federal Mutual, is senior vice-president of Federal Mutual and American Manufacturers Mutual and vice-president of Lumbermens Mutual Casualty and American Motorists. He also is president and director of Mutual Loss Research Bureau, Chicago, and a member of the executive committee of Transportation Insurance Rating Bureau.

Underwriting To Be Stiffer, Ft. Scott Insurers Tell Agents

The September-October issue of the *Westerner*, publication for agents of Western Casualty and Western Fire of Fort Scott, notes that underwriting experience continues to be poor, and some measures of "self-defense" are outlined.

The companies say that since March the underwriting picture has developed more fully with mounting frequency of both auto and property claims, and business has failed to show any improving trend even in territories where rate increases have been in effect the longest. "The current adverse experience has held on longer than most responsible opinion predicted," the companies note. "We are convinced that it will require closest underwriting to bring the business around the corner."

• • •

Pointing out that during the past six months underwriting has been done with the greatest care without imposing undue restrictions on agents, the situation has deteriorated during the third quarter with the decline in the stock market and many companies are applying increasingly severe measures in order to correct the underwriting situation. The Fort Scott companies are advising their agents that greater pressure may be expected from business moving out of the portfolios of other companies, "and we simply cannot permit that business to flow into the Western. The current experience of renewal business is still generally unprofitable and we are, therefore, obliged to concern ourselves more with the underwriting of our renewals than with the acceptance of new business. Several states have already had their second round of rate increases for automobile lines in token of the continuing poor experience; emergency measures are installed for the property lines. We mention this only to illustrate that every reasonable doubt in the acceptance of business must now be resolved in the company's favor."

Gerber Chicago Speaker

Chicago Insurance Brokers Assn. at a meeting Oct. 15 heard an address by Director Joseph S. Gerber of Illinois. Mr. Gerber was introduced by Rev. Archibald J. Carey Jr., former alternate delegate to the United Nations and chairman of the president's committee on government contracts.

Other speakers were F. Vernon Rosenthal, assistant director; Joseph McClendon, president of Cook County Bar Assn.; George Harris, president of National Assn. of Real Estate Brokers, and R. W. Allen, president of Chicago Insurance Assn. Nearly 300 attended.

Standard Accident Promotes Bayar At Indianapolis

Standard Accident has named Steven S. Bayar associate manager of the Indianapolis branch. He is a veteran of more than 28 years with the company. He joined Standard in 1929 at Detroit and in 1941 was made chief branch casualty underwriter. In 1944 he became a field representative for the metropolitan Detroit area. He was transferred to Cleveland in 1949 as field representative, and later he served in managerial positions in Cleveland and Detroit.

Continental Plans Stock To Exchange For Firemen's Shares

WASHINGTON—Continental of America Fore group has filed a statement with Securities & Exchange Commission seeking registration of 1,700,000 shares of its $5 par capital stock. SEC stated that Continental proposes to offer this stock in exchange for shares of the capital stock ($7.50 par) of Firemens of Newark, at the rate of 17 shares of Continental for every 20 shares of Firemen's stock.

The exchange offer is conditioned upon acceptance by the holders of not less than 90% of the outstanding shares of Firemen's stock, but Continental reserves the right to make the exchange offer effective upon acceptance thereof by the holders of not less than 80% of Firemen's stock. The exchange offer will expire Dec. 2, but may be extended to Dec. 31, 1957.

• • •

The purpose of Continental in making the exchange offer is to acquire at least 90% of the outstanding shares of capital stock of Firemen's, according to SEC. If the offer is consummated it is contemplated that Firemen's will retain its corporate indentity and will operate as a separate corporation with headquarters in Newark, and with its present officers and personnel. The exchange offer is to be voted upon by Continental's stockholders at a special meeting Oct. 30.

Republic of Dallas and Vanguard have moved their Chicago offices to suburban Oak Park, the address being 6819 West North avenue.

Convention Dates

Oct. 19-23, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 20-22, Kansas Assn. of Insurance Agents, annual, Baker hotel, Hutchinson.

Oct. 20-22, Maryland Assn. of Insurance Agents, annual, Lord Baltimore hotel, Baltimore.

Oct. 20-23, National Assn. of Mutual Insurance Companies, annual, Jung hotel, New Orleans.

Oct. 21-22, Insurors of Tennessee, annual, Chattanooga, Read House.

Oct. 21-22, Insurors of Tennessee, annual, Chattanooga, Read House.

Oct. 21-23, Individual A&S Insurance Forum of Health Insurance Assn. of America, Biltmore hotel, New York.

Oct. 21-23, California Assn. of Insurance Agents, annual, Hotel del Coronado, San Diego.

Oct. 22, Conference of Mutual Casualty Companies, Jung hotel, New Orleans.

Oct. 22-23, Massachusetts Assn. of Insurance Agents, annual, Sheraton Plaza hotel, Boston.

Oct. 22-24, Wisconsin Assn. of Insurance Agents, Schroeder hotel, Milwaukee.

Oct. 27-29, Illinois Assn. of Insurance Agents, annual, Pere Marquette hotel, Peoria.

Oct. 27-29, Missouri Assn. of Insurance Agents, annual, President hotel, Kansas City, Mo.

Oct. 28-30, Ohio Assn. of Insurance Agents, annual, Commodore Perry hotel, Toledo.

Oct. 30, Connecticut Assn. of Insurance Agents, annual, Statler hotel, Hartford.

Nov. 7, Insurance Federation of New York, annual, Waldorf-Astoria hotel, New York City.

Nov. 7-8, Michigan Assn. of Mutual Insurance Agents, annual, Statler hotel, Detroit.

Nov. 15, American Marine Insurance Clearing House, annual, New York City.

Nov. 17-19, Kentucky Assn. of Insurance Agents, annual, Kentucky hotel, Louisville.

Nov. 17-20, Indiana Assn. of Insurance Agents, annual, Claypool hotel, Indianapolis.

Nov. 18-19, Illinois Assn. of Mutual Insurance Agents, annual, Orlando hotel, Decatur.

Nov. 21-22, Casualty Actuarial Society, annual, Sheraton hotel, Philadelphia.

Nov. 21-22, Mutual Insurance Agents Assn. of New England, annual, Somerset hotel, Boston.

Nov. 30-Dec. 1, Montana Assn. of Mutual Agents, annual, Northern hotel, Billings.

Dec. 6, Insurance Accounts Assn., New Yorker hotel, New York City.

Dec. 11, Eastern Underwriters Assn., annual, Commodore hotel, New York City.

1958

May 1-3, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 22, Midwestern Independent Statistical Service, annual, Bismark hotel, Chicago.

June 11-12 Wisconsin Assn. of Mutual Insurance Agents, annual, Schwartz hotel, Elkhart Lake.

Chicago Burglary Assn. To Have Display Oct. 23-24

Chicago Burglary Underwriters Assn. will have a display in the lobby of the Insurance Exchange building Oct. 23-24 of burglary protective devices, alarm systems, safes, locks, iron works, etc. On both days, from 2 to 4 p.m. in the auditorium of the Chicago Board, speakers will conduct a question and answer period on insurance pertinent to the display—burglary, fidelity, marine, homeowners, commercial block.

A banquet is scheduled for the evening of Oct. 24 in the Midland hotel.

Argonaut Adds Five To Safety Engineering Staff

Argonaut has appointed Dr. Francis R. Holden consultant to the engineering and claims departments in radiation, chemical and industrial fields and has named Robert L. Munson, Ian Peterson and C. W. Rasmussen safety engineers in northern California. Roy Lufkin has been appointed safety engineer in the southern part of the state.

Appoint Dillard To Claim Post

International Service of Fort Worth has appointed R. A. Dillard assistant manager of the home office claims department. He has been vice-president and claims manager of Houston Fire & Casualty and was with Employers Casualty previously.

COMMENTS TRENDS OBSERVATIONS

Urges Agents To Tackle Underinsurance

E. S. Light of the Echlin-Irvin-Crowell & Co. general agency, El Paso, which represents Glens Falls in western Texas and New Mexico, recently wrote the following on underinsurance for agents in his territory. It is reprinted from the Glens Falls Poster:

Here is a word you are going to hear more and more in the coming months. You will hear it from your field men, direct from your companies and through national advertising.

Your fire insurance companies practically without exception sustained underwriting losses this past calendar year, and the finger of blame points at low insurance to value as one of the major factors contributing to the poor results.

You are all aware that you report a large number of small losses by fire, windstorm or hail, in relation to the total losses that you have in your agency. Maybe you have not had the opportunity to analyze the size of policies producing this preponderance of losses, nor their relation to the value of the building they cover.

• • •

An analysis made of the building insurance in force of one fire company in a certain agency, for a one year period, written without coinsurance, indicated that the average insurance-to-value was about 70% and that the loss ratio was 39%. The loss ratio was refigured on a basis of successive 10% reductions in the average percentage of insurance-to-value and the following resulted:

Insurance to Value	Loss Ratio
70%	39%
60%	43%
50%	47%
40%	51%
30%	60%
20%	76%
10%	90%

Obviously, the percentage of insurance to value has a direct bearing on loss ratios. Low insurance to value works against the company. You are, in effect, insuring the lower part value, and when low percentages are insured, the rate is actually inadequate.

Have you ever wondered why the windstorm rates shown in your rule book are higher than the EC rates on the same building when EC includes windstorm? Windstorm coverage is available in any desired amount and the insured is inclined to buy just enough for a new roof since he cannot readily visualize more extensive damage. So when the roof goes, we have the situation of a "whole" loss on partial insurance.

The requirement that EC be in the same amount as the fire theoretically eliminates this trouble. Now the amount of fire insurance on the bulk of insured risks is proving inadequate.

You agents unwittingly share the plight of the companies. You are letting premium dollars and commission income go by because of underinsurance. And, if you think it is hard enough to get people to buy as much coverage as they do now, what luck do you think you will have when loss ratios drive the rates up, as they will eventually?

Why not begin a campaign to capture these lost commissions? "Sell" your insured on reasonable insurance to value so that they will not bear losses in event of a catastrophe; so that they may enjoy rate credits by meeting coinsurance requirements; so they, as homeowners, may be paid losses without adjustment for depreciation.

• • •

Since costs measure values, let's evaluate present day costs. Items that go into producing building costs are essentially of a local nature, cost of lumber, building blocks or brick, cement, availability of skilled labor, wages of common labor on the local market.

All of these have gone up year after year consistently in all areas. On a national scale, they have actually doubled since 1945. The replacement cost increase of a building put up in the early 1930s is phenomenal. The percentage increase of costs of a building erected in 1950 even is impressive; roughly 25%.

Depreciation must be taken into account when sound insurable values are figured. But you should not go overboard on estimating it; it should not be confused with that of accountants or assessors or the Internal Revenue Bureau. Depreciation is the loss in value in buildings or equipment through deferred maintenance. The rate of depreciation will vary from year to year depending on maintenance, or will even cease at a point in the life of a building. If roof, walls, floor and foundation maintenance is kept, an excessive percent of depreciation should never be applied even on older buildings.

In most of the cases that we consider today, appreciation, through increased building costs, will exceed depreciation.

So it is suggested that you agents carry the message to your insured by whatever means that suits you best.

And the next time a special agent calls on you, don't tell him you have nothing for him to do. Grab up a handful of fire dailies, and take him out to make appraisals by physical inspections of buildings to get more realistic values to base the insurance on.

The First Thirty Years

Casualty Companies Serving Massachusetts Takes A Long Look At Compulsory Auto

Compulsory automobile liability insurance has been in effect in Massachusetts 30 years. The law which brought it into being—archetype of statutes in New York and North Carolina—was enacted in 1925 and became effective Jan. 1, 1927.

In note of all that has transpired and developed in compulsory auto there in the past three decades. *The First Thirty Years*, a commentary which sets out and discusses the controversial problems connected with the system, has been published by Casualty Insurance Companies Serving Massachusetts, the press and public information agency of auto insurers doing business in the state. The book has been issued primarily for the information of editors, newspaper reporters, and feature writers, as well as radio and TV commentators. The study does not attempt to marshal arguments for or against the principle of compulsory auto. "It is generally conceded," the forward points out, "that the compulsory system is here to stay in Massachusetts. Consequently, the motoring public, the casualty insurance industry and regulatory authorities will all have to accept compulsory insurance, even if the relationship has been at times a stormy one over the past 30 years."

• • •

Rate making for compulsory auto coverage has been political ever since the fall of 1928, when then Commissioner Monk refused a request of Gov. Fuller that he reduce the rates for

(CONTINUED ON PAGE 29)

"WHAT ABOUT A MERGER? WE'LL COMBINE MY LOSSES WITH YOUR LOSSES AND HAVE A GOOD STRONG COMPANY."

Atlantic Mutual Is Insurer Of Infant Elephant From India

Insured for $1,500 in Atlantic Mutual, Shakuntala, a baby elephant, recently arrived at Staten Island, N. Y., enroute to Darien, Conn., after completing a month's sea voyage from India on board the *S. S. Hulda*.

The pint-sized pachyderm—four feet six inches tall—is a gift from the children of Mercara, India, to the children of Darien, who have been corresponding, exchanging small gifts, and trading pictures and stamps during the past few years.

William Leyshon, marine cargo surveyor of Atlantic Mutual, met Shakuntala when she arrived in this country. The elephant was covered by a regular marine cargo policy, with a death or mortality clause added.

Craig Thorn Sees Agents At Crisis

(CONTINUED FROM PAGE 1)

Casualty, spoke at Albany on "Agency Ownership—Our Competitive Advantages."

Mr. Thorn suggested that agents are at the crossroads today and need to assess their operation and see where they can improve it. They have to sell. They should learn to appraise properties and save the companies that expense. They need to develop the middle class market, which they have lost or never had. They need to get in new blood, write life insurance, do account selling. A new man can be brought in by way of life sales, he said, and this will offset the heavy cost of developing new agency manpower and training it.

• • •

Increased automation lies ahead, he believes, and it is possible it will take some procedures out of the hands of agents. But he urged agents to look at this development with an open mind. The companies will need the local agent for service. The thing to guard against is a lowered stature for the agent. Agents should initiate every possible efficiency in their operations.

Some company presidents seem to have given up on the agency system, he observed, and a few agents. There are going to be some casualties among companies before the current loss situation is over, and some agencies will not survive.

In recent years companies and agents have sought to raise the professional status of agents, and, he said, the caliber of agents has improved. They give service, more than many other businesses, and more even than many doctors and lawyers. If agency income is to be reduced, it will be even more difficult to keep this improvement going and attract new men. New York is a pivotal state in this crisis that faces the agency system, he declared.

He described the award of Policy Advancing Corp., which will go each year to the outstanding local board president. It is in honor of Emmett Rhodes of the famous Yonkers case.

Mr. Douglass said that the most important legislation the association succeeded in getting this year is the law requiring the superintendent to revoke the license or to refuse to license an applicant who receives or expects to receive more than 10% of his aggregate net commissions from insurance placed on the property of a spouse. This goes with the rule which prohibits an agent from writing more than 5% of his aggregate commissions on his own property.

Last year the association tried to repeal the law which specifically exempts from agency licensing any representative of a domestic assessment cooperative fire insurer. This did not pass, but another one did which provided for licensing of an agent or representative of a cooperative which amends its charter to write homeowners.

• • •

Mr. Douglass found out within the past month that not one assessment cooperative has yet applied to write homeowners, so they still have unlicensed agents soliciting business. Consequently agents will try again to get legislation to require licensing of cooperative representatives. The only way the department can legally stop the giving of free property and casualty coverage is if it goes through agents or brokers. The department has no legal means to stop insurers from giving coverage free if no agent or broker is involved. Here the effort to get legislation will have department support.

Agents again will propose a section be added to the insurance laws to have the receiver of any domestic insurer reinsure all policy obligations in a solvent corporation if the assets of the defunct insurer are sufficient to effect such reinsurance. If the assets fall short, then prorate reinsurance would be provided.

Agents will try for legislation to prohibit fictitious groups and will suggest that the legislature adopt a law similar to that in North Carolina which, exclusive of life, annuity, or A&S, prohibits insuring a group of individuals under a master policy at rates lower than those charged for individual policies covering similar risks.

Mr. Douglass noted that the workmen's compensation coverages and rules do not come within insurance department jurisdiction. The state fund has been soliciting compensation and disability insurance by mail and in person. The original intent of the law was not to solicit insurance for state fund yet it is openly done. Agents will press for legislation prohibiting such solicitation.

• • •

Mr. Douglass said agents will also try for legislation prohibiting automobile dealers selling insurance who are not required to be qualified or licensed, and putting provision of the assigned risk plan into the driver licensing law so that the onus of keeping bad drivers off the road is on the bureau instead of the insurance business.

In late May farm building rates in New York were increased 25%, Mr. LaRonge pointed out. The loss ratio for all stock companies in the 25 years ended with 1956 was 62.21 on $14,-603,142 of premiums written. In 1956, on $2,778,028 of premiums, the ratio was 90.5.

In the meantime, non-stock competition, writing at a 20 to 50% discount in rates, was making money on the class, indicating that there has been a strong selection of risks against the stock insurer.

When the rates were increased, the agents asked for a hearing with Eastern Underwriters Assn., New York Fire Insurance Rating Organization and leading insurers. As a result, the farm credit rating plan was introduced. The plan is being used, Mr. LaRonge said, and agents are starting to get their share of the good farm business. He pointed out that the plan, which has been in operation several years in New England, is producing astonishingly good experience in that area. It is hard to convince agents in central New York that the loss ratio is 100 or more, or even as high as 70, one agent brought out. Why not break down experience by counties and modify the base rate of $1.70? Then agents and farmers would go along with the new credit plan.

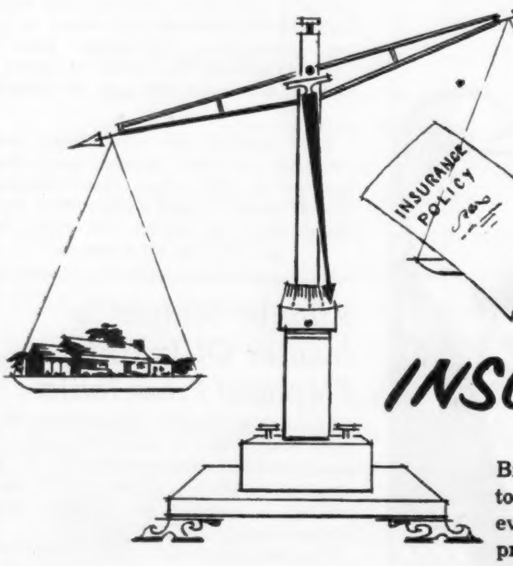
• • •

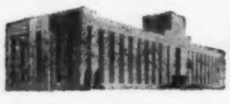
Risks differ substantially one to the other, Mr. LaRonge pointed out, and insurers get into difficulties when they rate by such economic districting as counties.

In answer to another question, he said EUA has recommended that farm building get the 5% qualifying credit if the structure is masonry to the eave plate.

What makes a dwelling 25 feet from the barn better than it was when the rule was it must be 50 feet away, was another question. Mr. LaRonge said the effort with this plan is to give agents something to sell. There are many good farm dwellings closer than 50 feet from the barn.

Mr. Smith told agents how to appraise the value of dwellings for insuring purposes. He discussed various appraisal systems and pointed out that each should be used for its particular purpose. He noted that in the Water-





town area the St. Lawrence seaway project has added 5% to the cost of items going into dwelling construction.

There are many houses in New York that are old but not obsolete because they have been kept in good condition and modernized, he said. Many of them do not depreciate as rapidly as modern dwellings because of the way they were built. Most appraisers believe a building still in use for its original purpose and in fair condition should not be depreciated more than a third from its original value and is never worth less than half. The quality of the original construction bears sharply on the aging and depreciation, he said. The best quality construction reaches its midlife in 34 years, average quality construction in 24 years and poor construction in 17 years.

• • •

In the past 3 years since perpetual licensing went into effect for property agents, 87,000 licenses have been issued and 70,000 terminated, which shows that companies are appointing new agents and terminating them at a rapid rate, Mr. Joyce said. The figures were presented at several of the regional meetings by Walter F. Brooks, deputy insurance superintendent.

The large number of licenses issued is distorted to some extent because companies have increased their charter powers, changed their names, or merged, which requires the issuance of new licenses, Mr. Joyce said. More than one license may have been issued to an individual agent for the same company.

• • •

However, there has been a large shift in companies represented by agents because of lack of capacity, commission increases, company services, underwriting restrictions, or competitive rate advantages, he added.

On Jan. 1, 1954, stock insurers had 66,247 licenses. As of last Aug. 27 this figure was 79,411, a 19.9% increase. Mutual insurers started with 17,880 Jan. 1, 1954, and had 20,873 last Aug. 27, a 16.7% increase. Companies with so-called captive agents had 2,373 at Jan. 1, 1954, and 3,745 last Aug. 27, an increase of 57.8%.

These figures represent licenses in force, not individual agents, he said. They are slightly distorted because mutual and stock agents usually represent five companies—this average of five has remained constant for the 3½ years. Captive agents usually represent only one or two companies.

The stock agency company premium volume at the end of 1956 was 2% less than at the end of 1953, he said. The mutuals showed an increase of 6% and direct writers and increase of 4.4%.

Mr. Barrell said that compulsory soon will have completed its first administrative year, and in that time has proved its merit. The motor vehicle bureau is striving to improve the administration of the law, and he asked agents to improve their timing of FS 1 certificates when insurance is switched from one company to another. Because too much time elapses, the machinery for revocation and license pick-up is often set in motion. He recommended agents follow the rules his bureau laid down at the outset of compulsory. What is required here is prompt performance by the auto registrant, agent and bureau.

The main objectives of the NAIA advertising program were emphasized by Mr. Schwab. He also discussed the state association's speaker's bureau, which gave more than 600 talks in 1956. Through the cooperation of EUA a field club member now has been named for every local board, to aid in public relations work. Use him, Mr. Schwab urged. Mr. Thorn said the state now is leading the country in quota but the program needs the backing of every agent. Mr. Schwab said if each contributor up to now were to get three others to participate, the program could start.

Bartlett Heads Credit Unit Of Phoenix Of London

Phoenix of London has appointed Pace W. Bartlett manager of the credit insurance department succeeding Paul U. Farley, was has retired.

Mr. Bartlett joined Phoenix in 1946 as special agent in San Francisco. He was transferred to the home office as assistant superintendent of agencies in 1949 and became superintendent of agencies in 1951. He was appointed superintendent of credit insurance production in 1953 and since 1955 has been assistant manager of the credit insurance department.

Fire Losses in 1956 Exceeded $1 Billion

In 1956, the U. S. suffered record breaking fire losses for the second consecutive year, according to National Fire Protection Assn.

Last year's dollar loss total increased $90,808,000 over that of 1955 to reach $1,231,576,000, NFPA reports in its annual classification of U. S. fire causes and fire losses. Principal factors responsible for the largest annual fire loss on record, it said, were a $32 million rise in large loss building fires ($250,000 or more) and a $40 million increase in aircraft fire losses.

As estimated from federal, state and local fire statistics there were 1,940,150 fires of all types in the U. S. in 1956. This was 37,800 fewer than in 1955. Building fires in 1956 totalled 824,400 and caused $1,016,000,000 in damages. The number is 1.6% more than in 1955, and the dollar loss is 7.7% higher.

Elect Biondolillo Head Of Buffalo Agents Assn.

Buffalo Assn. of Insurance Agents, now in its 116th year of operation, elected Ray C. Biondolillo president. He succeeds John N. Walsh Jr. of Norman Duffield & Co., who was named chairman of the executive committee. Other officers elected are Richard F. Kresse, vice-president; C. Morgan Epes, secretary, and Joseph J. Ruh, treasurer.

N.Y. Surety Underwriters See Radar Station Film

Surety Underwriters Assn. of New York City at its October meeting saw a film on the construction of the third off-shore radar station. One of the projected chain of radar stations to be built along the eastern seaboard to warn against surprise attack, this latest one is 85 miles southeast of New York City. J. Rich Steers, one of the builders, provided a commentary during the showing of the film. He was introduced by Carroll R. Young, vice-president of Fidelity & Casualty, which, with Fidelity & Deposit, was surety on the project.

Dixie Auto of Anniston, Ala., has been licensed in Florida and has appointed Edward R. Hafner state manager with headquarters in Tallahassee.

North British Names Whipple To IM Post

Gregory B. Whipple has joined North British group as inland marine superintendent of the Pacific department at San Francisco, and George P. Neuwal, an inland marine underwriter there since 1953, has been advanced to inland marine special agent in the Pacific territory.

Mr. Whipple entered the business 27 years ago with Royal-Globe. Specializing in IM, he was with that group until 1942. He was most recently Pacific coast marine manager of New Hampshire Fire.

IMIB OKs Jeweler's Block Deductible, Eliminates $15 Deductible On Floater

Inland Marine Insurance Bureau has revised the jeweler's block to permit the exclusion of registered mail or registered airmail shipments valued at $1,000 or less per package upon proper endorsement. The change has been approved in 30 states, Alaska, and the District of Columbia. The bureau is not licensed in Missouri, but the department there has advised it no objection to the change will be made.

The bureau also has revised the personal property floater rescinding the option of issuing policies subject to a $15 deductible clause and deleting all references to it in the rules, and has amended rule 36. The $25 and $50 deductible continue to be available in most jurisdictions. Deletion of the $15 deductible leaves the $25 only in Wisconsin, however. The $50 and $100 continue in the five boroughs of New York City.

Rule 36 has been amended by the addition of a new section making it permissible to calculate the premiums for the supplemental contract on a pro rata basis when it is issued in conjunction with an existing comprehensive dwelling policy, for the remainder of the term of the latter.

Elimination of the $15 deductible has been approved in 28 states, Alaska, and the District of Columbia. The amendment of rule 36 has been approved in 25 states and the District of Columbia. Rule 36 does not apply in Alaska, Arkansas, Kansas, or Washington. The Missouri department has advised it has no objection to eliminating the $15 deductible. Rule 36 is not applicable there.

Smith Tells Agents They Can Help Situation

(CONTINUED FROM PAGE 11)

values during the period under discussion, the industry might have been spared the recent underwriting losses, and rate increases would be unnecessary. Apparently the inflationary spiral is continuing. According to Long Island Home Builder's Institute, it now takes $1.07 to buy as much construction as $1 bought a year ago. This increase in the cost of construction in Long Island communities has nothing to do with all the other cost increases for land, taxes, overhead and other items which go into determination of the selling price of a finished home. The home which sold for $15-000 twelve months ago must now be priced at least $1,050 higher merely to cover construction costs.

Neither the company nor the rating organization can control the amounts of the coverage. The responsibility for this part of the rating formula is wholly between the buyer and seller. It is much easier for the agent to renew a policy for an increased amount of insurance with an explanation that the values have risen due to the increase in basic building construction costs than to deliver the renewal after an increase in rate and explain that the companies were losing money at the former rates. The agent's obligation to his insured in this matter of insurance to value is greater today than ever before.

For example, the majority of the newer dwelling forms, including the broad form for building and contents and special form for building coverage, include replacement cost coverages, for application to building losses. A countrywide survey of values involving over 17,000 dwelling units indicated that on the average, insurance was only 63% of the full replacement cost, and broadened forms can be of small comfort to insured if the conditions pertaining to replacement cost coverage are not met and then at the time of the loss the adjustment can only be based on actual cash value. This deficiency of insurance with respect to replacement cost coverage was estimated at approximately 21%.

This spring National Board and many companies nationally advertised to encourage property owners to increase insurance to value of property. Agents participated in this program. Mr. Smith urged the association to continue to emphasize this, not only because of its effect on the rating formula, but also because of the basic principle of the independent agent, service to insured.

Companies and producers have a share in responsibility for the expense ratio, but the rest of the rating formula is largely a responsibility of the buyer, he said.

Industrial Indemnity Has Changes In Southern Cal.

Drew P. Lawrence has been appointed fire manager of Los Angeles for Industrial Indemnity of San Francisco. He succeeds Howard Worth, who becomes production manager for all lines at Los Angeles.

William S. Price has been appointed manager at Long Beach. Mr. Price has been executive special agent in metropolitan Los Angeles. He succeeds William S. Osterholt.

S. D. Bechtel Jr., executive vice-president of the Bechtel Corp., has been elected a director of Industrial Indemnity.

Who's Going To Do Paper Work?

Commissioner Gold of North Carolina has taken under advisement arguments over just who, the agents or the companies, will be responsible for the bulk of the paper work connected with collecting the additional 1% tax on fire and lightning premiums that goes to the state's new firemen's pension fund.

At a recent hearing stock and mutual agents lined up solidly against a proposal by North Carolina Fire Insurance Rating Bureau that the 1% be calculated and shown separately at the time the agent collects his premium.

Dairyland Mutual of Madison, Wis., specializing in automobile coverages for substandard risks, has been licensed in Michigan and has appointed A. L. Forster state manager with headquarters at Lansing.

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

ABC

EDITORIAL OFFICE
Tel. BEekman 3-3958
17 John St., New York 38, N. Y.
Executive Editor: Kenneth O. Force.
Assistant Editors: John B. Lawrence Jr. and Robert Young Jr.

CHICAGO EDITORIAL OFFICE
Tel. WAbash 2-2704
175 W Jackson Blvd., Chicago 4, Ill.
Managing Editor: John C. Burridge.
Assistant Editors: Richard J. Donahue, Richard Ebel, and Philip F. Van Pelt.
Production Editor: George H. Downs.

ADVERTISING OFFICE
175 W. Jackson Blvd., Chicago 4, Ill.
Telephone Wabash 2-2704
Advertising Manager: Raymond J. O'Brien

SUBSCRIPTION OFFICE
420 E. Fourth St., Cincinnati 2, Ohio.
Telephone Parkway 1-2140

OFFICERS
Howard J. Burridge, President.
Louis H. Martin, Vice-President.
John Z. Herschede, Secretary-Treasurer.
420 E. Fourth St., Cincinnati 2, Ohio.
Telephone Parkway 1-2140.

SALES OFFICES

ATLANTA 3, GA.—423 Hurt Bldg., Tel. Murray 8-1634. Fred Baker, Southeastern Manager.

BOSTON 10, MASS.—80 Federal St., Rm. 335, Tel. Liberty 2-9229. Roy H. Lang, New England Manager.

CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2-2704. O. E. Schwartz and A. J. Wheeler, Chicago Managers. R. J. Wieghaus and William D. O'Connell, Resident Managers.

CINCINNATI 2, OHIO—420 E. Fourth Street, Tel. Parkway 1-2140. Chas. P. Woods, Sales Director; George C. Roeding, Associate Manager; Arthur W. Riggs, Statistician.

DALLAS 1, TEXAS—708 Employers Insurance Bldg., Tel. Riverside 7-1127. Alfred E. Cadis, Southwestern Manager.

DENVER 2, COLO.—234 Commonwealth Building, Tel. Amherst 6-2725. Fred L. White, Rocky Mountain Manager.

DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 3-5966. D. J. Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg., Tel. Woodward 5-2305. William J. Gessing, Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276, William J. Gessing, Manager for Indiana and Michigan.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—17 John Street, Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St. Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—321 Pierce Bldg., Tel. Chestnut 1-1634. Geo. E. Wohlgemuth, Resident Manager.

SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Richard G. Hamilton, Pacific Coast Manager.

CHANGE OF ADDRESS
Be certain to enclose mailing label with new address. Allow four weeks for completion of the change. Send to subscription office, 420 E. Fourth St., Cincinnati 2, Ohio.

EDITORIAL COMMENT

Agents Share Fortunes Of Insurers

(Based on talk before regional meetings in Poughkeepsie and Albany of New York State Assn. of Insurance Agents.)

What is the effect upon agents of the current excessive losses of insurers? How are agents sharing the fortunes of the insurers?

Companies are cutting down on business. They are underwriting more stringently. There is a surge of expense saving—agents will get fewer lunches out of field men this year.

Multiple line development will be slowed up, not merely because of the present situation but also because it is tougher to get into other lines successfully than most of the companies realized that have tried multiple line in recent years.

Broadening of coverages, one of the things that has put the companies into difficulties and kept agents busy finding out what it was they were selling, may slow down to a walk. But the indications are that contracts will continue to be improved.

This is one of the phenomena of the current situation which distinguishes it from previous periods of extremely unprofitable experience. Bad as things are for the companies, they cannot stop competing. Consequently, they are going to have to keep on learning, to keep up with the changes in the product. Also, because of competition, agents cannot stop selling. It seems strange to suggest that agents have to sell when many companies are turning down business. But the agent's competitive position is at stake and that position depends upon his continuing to improve it.

Many rates are bound to go up. Some companies will give less service. Agents will be, if they have not already been, pressed for low loss business to sweeten up the bad lines. When experience is good, the agents salt their good risks with a little grade 2 stuff, and the companies do what they call accommodatng underwriting. When experience is bad the companies have their turn. They ask for more grade 1 business to sweeten up the book.

One aspect of the situation is especially important to the local, independent agent and to his clients. This is his need of companies.

Multiple line underwriting was supposed to reduce the agents requirements for insurers. It was frequently said that the agent could get along with fewer because so many companies were writing all lines. But the current experience has demonstrated that the agent probably needs all the companies he has and before long he may require more for capacity to write the same business he wrote before. When companies lose surplus they simply cannot write as much business as they previously did.

Obviously agents share the fortunes of their companies. Why not share the fortunes of the best companies possible to get? Having the best companies puts the agent in the best defensive position. A busted company is the worst thing that could happen to an agency, and it could easily be so bad the agency would not recover from it.

But beyond this, the best companies deliver the best product, which gives the agent a competitive advantage. The best company knows more about the business, handles it more efficiently, is ingenious in competitive situations, and is skillfull in loss and claims, which constitute delivery of the product.

The capable agent has no way of protecting himself against the debasement of the poor agent except by representing good companies and by doing a better job and doing a better job all the time. Agents over the country have been working for years to raise the standards of agency representation and in New York probably have as stiff an agency qualification by legislation as everywhere in the country. Yet in New York as elsewhere the loose appointments of agents by companies goes on. This will continue to be the case.

The reality of the situation is that the good agent carries the poor one. Consequently, if many agents are, as it is charged by some, overpaid, there are agents who are underpaid.

The good agent will never get the dollar difference between the quality of his product and that of the poor agent and what he delivers. Certainly, the percentage of commission whatever it is, doesn't reflect the equities in the situation. There is involved here a fundamental reality, that money is a medium of exchange, but it does not express precisely but only in a very general way the values delivered by the individual.

This is true outside of insurance, generally. The best carries the worst. A good movie leads the spectator to go see three poor ones. The bad one's don't pay their way, the good ones buy through for the others. The good doctor keeps the respect of the people for medicine refreshed—because there are inefficient, inept doctors. Incidentally, agents have been criticized rather severely in recent times for not delivering more service, but try to get a doctor to make a house call. Unless there is a broken leg, it doesn't pay to bother.

Marginal agents cost insurers money. Marginal companies cost agents money.

But if anything proves that one agent is better than another, that one agent delivers a better product than another, it is a situation that is genuinely troublesome to handle, such as compulsory auto. Then the men are separated from the boys, the professional from the amateurs. The professional agents and the professional companies make more headway in bad times than the non-pros make in good times.

Certainly the problems facing the companies worry them. It is all right to worry. But the capable agent need not be afraid of the future. He will do well, and the respect of those in the business for him and his kind will keep on rising.

Whatever comes, in the agency system of voluntary representation of companies by the agent and the voluntary relationship of the company with agents, each shares to some degree the fortunes of the other, and each needs to maintain a basic respect for the qualities and merits of the other.—K.O.F.

PERSONALS

Armand H. Cote, Pawtucket local agent and lieutenant governor of Rhode Island, has declared his candidacy for the Democratic nomination for governor. In the business since 1936, he joined Frank J. Lowery in forming an agency in 1949. Mr. Lowery currently is president of Rhode Island Assn. of Insurance Agents.

Lawrence R. Fisher Jr. is joining W. E. Found & Co. of London and plans to remain there for four or five years working in the departments of brokers for Lloyds. He has been with the Chicago office of Phoenix of Hartford since 1956. His father, L. R. Fisher, is vice-president and director of the Rockwood Co. agency of Chicago.

DEATHS

OTHO O. HARRIS, 54, an associate of the A. H. Harris general agency of Mutual Benefit H.&A. and United Benefit Life at Springfield, Ill., took his own life. He had been despondent over ill health. He was a brother of A. H. Harris who heads the general agency.

HAROLD S. FALK, 73, a director of Employers Mutuals of Wausau, died of heart disease at Milwaukee. He was also a trustee and member of the finance and executive committees of Northwestern Mutual Life.

AUDREY L. BRANDON, 38, district sales manager in Montana for Combined of Chicago, died when his airplane crashed near Great Falls. He joined the company in 1954 and became district manager in 1955.

CASIMIR M. ULATOWSKI, 59, Buffalo agent, died there.

GEORGE A. STANGE, 79, an independent adjuster at Chicago for more than 55 years, died.

BYERS F. HOWELL, 47, who operated Howell Adjusting of Flint, died. He was with Ohio Casualty in the claims department in Michigan until opening his own office in 1949.

THOMAS R. MADDEN, 71, head of the Thomas R. Madden agency of St. Louis, died of a heart attack at his home. Active in politics, he was sheriff of St. Louis from 1933 to 1937 and public administrator from 1938 to 1942. He opened his agency in 1942.

CLEMENT L. DESPARD SR., 73, chairman and a director of Despard & Co., New York brokerage firm and average adjusters, died at Fitkin Memorial hospital in Neptune, N. J. He

was a director of Insurance Federation of New York and a past president of Insurance Brokers Assn. of New York.

COL. FRANCIS R. STODDARD, 80, noted insurance authority, author, and former New York insurance superintendent and chairman of the state pension commission, died at Doctors hospital in New York City. An attorney, he entered public service as special deputy attorney general of New York, subsequently became a member of the state assembly, superintendent, and pension commission chairman. In 1925 he was employed by New Jersey to reorganize that state's insurance and banking department and to revise its insurance laws. At the time of his death he was counsel of Eastern Life and United Mutual Life, and had been a member of the New York state insurance board since 1933. He was instrumental in organizing the former acquisition cost conference in New York, and wrote about it in *The History of the Acquisition Cost in the State of New York.*


Francis R. Stoddard

During Col. Stoddard's administration of the New York department, rate making assumed an important place. It was through his recommendations that the power of the superintendent over rates was considerably extended. He was successful in developing methods for the control of acquisition costs of insurance and was a strong advocate of policies with broader coverages. He was responsible for the introduction of legislation providing for the taxation of marine insurance on the basis of underwriting profit rather than premium volume.

WALTER C. MROTZ SR., 60, general manager of American Glass Co. of Chicago, died. He had been with the company for 38 years.

Edwin M. Clark, president of Southwestern Bell Telephone Co., has been elected a director of Transit Casualty of St. Louis.

STOCKS

By. H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, Oct. 15, 1957

	Bid	Asked
Aetna Casualty	125	130
Aetna Fire	55	56½
Aetna Life	175	180
Agricultural	24	25
American Equitable	28	30
American (N. J.)	23	24
American Motorists	9¼	10
American Surety	14¼	15¼
Boston	27¼	28¼
Camden Fire	26	27
Continental Casualty	77	78½
Crum & Forster com.	50	52
Federal	30	31
Fire Association	34½	35½
Fireman's Fund	47	48½
Firemen's (N. J.)	34¼	35
General Reinsurance	43½	44½
Glens Falls	26	27
Globe & Republic	14½	15½
Great American Fire	29	30
Hartford Fire	131	134
Hanover Fire	30	31
Home (N. Y.)	34½	35½
Ins. Co. of No. America	83	85
Maryland Casualty	31½	32½
Mass. Bonding	26	27½
National Fire	72	75
National Union	29½	30½
New Amsterdam Cas.	44	45
New Hampshire	34	35½
North River	30½	31½
Ohio Casualty	18	20
Phoenix Conn.	58	60
Prov. Wash.	13¼	14¼
St. Paul F. & M.	40	41
Security, Conn.	22½	24
Springfield F. & M.	37	39
Standard Accident	50	52
Travelers	74¼	75¼
U.S.F.&G.	57½	59
U. S. Fire	20	21

Two At Dallas Promoted By Fidelity & Deposit

Fidelity & Deposit has promoted Paul P. Cooper Jr. from assistant to associate manager and Herbert Hardison from special agent to assistant manager at Dallas.

Mr. Cooper joined the company at Dallas as a special agent several years ago. He became assistant manager there in 1953.

Mr. Hardison joined the company at Dallas in 1949.

New Jersey chapter of CPCU heard Samuel Starr, Newark tax attorney, discuss the effect of the current tax situation on small agencies at the October dinner meeting in Cedar Grove.

Wis. Commissioner Takes Poke At Insurers' PHD Claim Practices

"Unfair and deceptive" practices in adjusting auto material damage claims were castigated by Commissioner Paul Rogan in his address before the annual meeting of Milwaukee Assn. of Insurance Agents. The commissioner accused the insurers of obtaining repair estimates lower than those quoted to the insured and prevailing upon the motorist to accept "bargain rate repairs."

"We have found instances where the company has ignored two or three estimates required of the insured and made an offer of settlement based solely on an estimate obtained by the company, directly or through some sort of independent appraiser," Mr. Rogan said. The company estimate was usually low and often was based on a discount to the company that was not available to the insured. In such a case if the insured accepts a cash settlement based on that low estimate, he must pay any expense over and above such settlement required to produce an adequate repair. If the insured elects to allow the company's garage to attempt the repairs, he is required to release the company unconditionally in order to secure that company's authorization to repair. If the repair is not adequate, the insured has no legal recourse against the company or the garage.

• • •

Mr. Rogan went on to say that the fact that the insurer was able to obtain a lower estimate is not itself sufficient to show that insured's estimates were not reasonable. Unless the company has conducted enough investigation to satisfy itself that the settlement is adequate, he added, the entire handling by the company places the insured at a disadvantage and "amounts to a form of coercion by tending to force the insured to settle for less than his actual loss."

The principal speaker was Richard Thain, professor in marketing and advertising at Roosevelt University of Chicago. His topic was "Insurance at Marketing's Crucial Crossroads." He discussed the broad field of marketing and current trends in various types of marketing, showing how insurance will follow the general trends.

Officers were reelected, they being: President, Don Gottschalk; vice-president, Richard M. Evand; secretary-treasurer, Wayne C. Reesman. New directors are Richard M. Burdick, Allan R. Calhoun Jr., Gordon H. Gile, Robert T. Clayton, Robert C. Pittelkow, Robert Cope, Edward Dunn, and Donald Dougherty

American F.&C. Passes Third Quarter Dividend

American Fidelity & Casualty of the Markel group passed its third quarter preferred and common stock dividend. It has been paying $1.20 annually on its common.

M.&M. Elects 13 V-Ps, Assistants

Marsh & McLennan has elected nine vice-presidents and four assistant vice-presidents. Named vice-presidents are Owen G. Anderson, Arthur G. Fox, Harvey K. Moore, Ralph J. Ruden and Wilson D. Sked, all at Chicago; and Joseph W. Hoagland, Wallace E. Jeffrey, F. Arthur Mays and John M. Regan Jr., all at New York.

Assistant vice-presidents elected are Kenneth E. Reed at Chicago; Edwin J. Berggren and Calvin D. Ferris at New York, and Ralph Bolton at Buffalo.

Calls Term Multiple Rise Ineffective

(CONTINUED FROM PAGE 7)

since that time. He noted that a filing approved for use as of July, 1957, the industrial property floater filed by the bureau and approved by the department, provides for a three year rate at 2.5 times the annual rate.

It would be interesting to know in just how many of the thirty-eight years since its adoption, this "indefensible differential" has yielded a reasonable underwriting profit, he commented.

He suggested that in periods of economic decline, premium income has held up better than other forms of corporate income but in periods of general economic improvement, premium income has had a tendency to lag behind general business. The current situation is abnormal because more lines of insurance are suffering adverse experience than is customary. This is due in part to the failure of insurers, rating bureaus and supervisory officials to anticipate and recognize the inflationary trend with respect to rate levels and losses.

• • •

However, classified statistical experience over the years has reflected the use of the term rule. It has been possible within the framework of the term rule to adjust rates upwards and downwards. The proponents of modification agree that rate adjustments will continue to be made within the framework of the rule. Admittedly it complicates the development of completely accurate statistics but so do many other things. The present sour experience does not stem from the term rule per se.

The business has educated the public for nearly 40 years to buy insurance for three years at 2½ annuals or for five years at four annuals. This has an appeal to the buyer. It has played an important part in stabilizing both agency and company income. Considerable thought should be given before buying habits are upset which always have been considered good. Many insured have purchased insurance on the budget plan with either one-third or one-fifth expiring each year, and certainly here the modification will not be as attractive. The term rule may lack both logical and statistical justification but it has sold term insurance and as such has stood the test of time.

• • •

As economics, modification of the term rule would be more defensible in a period of low interest rates than at the current high interest rates. The outlay of an additional year and a half premium for a three year policy or of an additional three year premium for a five year policy costs the buyer something. The use of his working capital in prepaid insurance has to carry sufficient compensation to be attractive. In corporate finance this is not measured exclusively by commercial interest rates but more accurately by the rate of return in the employment of working capital. The issuance of a single three or five year policy does effect economies in both agency and company ranks. The insurers steadfastly have refused to credit underwriting experience with the investment return realized on the unearned premium reserve.

• • •

Mr. Butler averred that it is no pleasure to oppose the filings of the companies. It is being done only because the filing represents a backward step which is neither in the public interest nor in the long term interest of the insurance business itself. It is not a remedy for the current ills. He urged that the department review promptly rate levels and authorize increases in annual rates where reliable statistical data and a consideration of prospective trends indicate rates are inadequate.

The loss ratios in West Virginia for the five years ended with 1956, by class, were: Churches and chapels 28.8, public buildings and hospitals 19, educational institutions 59.4, habitational risks excluding farms 46.1, farm property 59.9, mercantile and office buildings 48.5, mercantile stocks and contents 46.8, warehouses 54.4, woodworkers 78.3, metal workers 22.3, chemical workers 156, textile workers and laundries 17.2, mining risks 54.2, milling risks 28.8, miscellaneous manufacturing N.O.C. 52.4, oil risks 21.9, food and food products 08.2, hotels and clubs 50.3, public garages and hangars 42.8, lumber yards 21.9, miscellaneous non-manufacturing N.O.C. 16.1, railway and public utility 27, theatres and motion picture 28.5, sprinklered manufacturing 60.5, sprinklered non-manufacturing 20.2, and all classes 50.1.

A & S

International A&H 1959 Meeting To Be At French Lick, Ind.

The board of International Assn. of A&H Underwriters has voted to accept the invitation of the Indiana association to hold its 1959 convention at French Lick.

The Indiana association has already worked out a tentative schedule of events, according to James Barbour, Continental Assurance, Indianapolis, state president, and committed two speakers—Oren D. Pritchard, Union Central, Indianapolis, who will be president of National Assn. of Life Underwriters in 1959, and Alden C. Palmer, insurance commissioner of the state.

A&S Benefit Payments Total $1.8 Billion In First 9 Months, Up 15%

Benefit payments to persons under voluntary health insurance contracts totaled an estimated $1.8 billion in the first nine months, up 15%, according to Health Insurance Institute.

Benefits paid under group hospital, surgical, medical and loss of income policies totaled $1.3 billion, up 20%. The rise in benefits under individual and family type policies was $469 millon, up 4%.

Hospital expense payments totaled $748 million, with $578 million received through group policies and $170 million under indvidual contracts.

Surgical expense payments totaled $299 million, with $241 million going to group policyholders and $58 million to individuals.

Medical expense payments amounted to $53 million, consisting of $45 million to group policyholders and $8 million to indivduals.

Major medcal payments totaled $85 million, with group policyholders receiving $81 million and individuals receiving $3 million. These figures include policies written alone or to supplement the basic hospital, surgical and medical coverages.

Loss of income payments totaled an estimated $545 million, wth $355 mllion to group policyholders and $190 million to individuals.

Mich. Blue Shield Plans Coverage Changes

Michigan Medical Service (Blue Shield) is planning extensive changes in coverage, as recommended by doctor members of the service. The changes are to be completed by Jan. 1, and will become effective on contracts as of their anniversary dates.

A new basic income bracket of $7,500 per year instead of $5,000, the present limit, will be adopted, and a new deductible plan is being devised. Extended medical services will also be provided members.

Under the new deductible plan, limits on payments would for necessary services will be set at $25, $50 or $75, dependent on income falling, respectively, within the $2,500, $5,000 or $7,500 categories. Financial responsibility of the patient for each time the insurance is used would be not less than 10% or $5, whichever is greater, but not in excess of the scheduled fee allowance. For example, a member under the $25 plan will pay the first $12.50 of a $125 medical service charge and if another service is required in the calendar year he will pay an additional 10% or $5, whichever greater.

Persons with incomes in excess of $7,500 may be covered only under the top deductible plan but the total medical service fee will be a matter of agreement between patient and physician.

Another recommendation provides for developing a "relative value scale," assigning to individual surgical, obstetrical and other medical services a value in units proportional to the relative value of that service. The dollar value, of each service would be reviewed periodically in the light of existing economic conditions and the unit value of each procedure would be reassessed when necessary.

N. Y. To Hold Hearing Nov. 18 On Blue Cross Request For Rate Hike

New York department will hold a public hearing Nov. 18 on the application of Associated Hospital Service of New York (Blue Cross) for a 40% increase in premium rates.

Deputy Superintendent Lamanda will preside at the hearing which will be in New York County Lawyers Assn. building, 14 Vesey street, beginning at 10 a.m. Those planning to speak at the hearing should notify the department by Nov. 14.

The Blue Cross application and supporting data may be seen by appointment at the department's New York City offices after Oct. 14, between 10 a.m. and 4 p.m. daily.

The increase, if allowed, would add an estimated $40 million to the Blue Cross 1956 premium income of $111,604,606. It would be effective early next year. Blue Cross says its loss from 1956 operations was $2,719,542, with losses increasing at a faster rate by mid-1957.

Labor and welfare groups are expected to oppose the requested increase.

Says Government Health Plans Are Too Expensive

SEATTLE—Growing costs of government health plans in Canada are taking an ever-increasing bite out of the national income, Harry J. Seed, president of British Pacific, told Washington Assn. of A&H Underwriters at a meeting here. He displayed charts showing that by 1980, if present trends continue, government expenses in Canada will consume 53.5% of the gross national income.

A large part of government costs is health insurance, he said. Health plans in British Columbia and Saskatchewan have resulted in deficits despite tax increases to finance them.

Bruce Gifford, managing director of the international association, warned in his talk that increasing costs of the social security program in the U. S. will cause "a tremendous tax drain." Disability benefits recently written into the law may cost more than expected, he said.

Townsend Bill Would Bind Insurers To Ad Claims

State Sen J. Russell Townsend told members of South Bend A&H Assn. recently that he will seek enactment of legislation in the 1959 session of the Indiana assembly to control insurance advertising. His bill would bind A&S and other insurers to claims made in advertising or publicity in disputes arising out of interpretaiton of policy provisions or benefits.

"If the advertising features a benefit and the policy does not grant the benefit in the liberal manner advertised, then the promotional material would govern," he said.

FIELD

South Bend Puddle Chartered As Pond; Sears Elected MLG

Charter for organization of a pond of Blue Goose to replace the South Bend puddle was granted at the annual meeting of Indiana pond. Elected officers of the new pond are A. R. Sears, Indiana Rating Bureau, MLG; Carl E. Adams, New York Underwriters, supervisor; L. R. St. John, Western Adjustment, custodian; Fred Anderson, Aetna Fire, guardian; William R. McBride, Hanover, keeper, and Norman E. Hoppas, Home, wielder.

Aetna Fire Opens New Fla. Office, Names Reid

Aetna Fire has opened a service office in Orlando, Fla., at 501 North Magnolia avenue, under Special Agent Norman R. Reid. Appointed to the Florida field in 1949, he formerly had headquarters in Jacksonville. He has been with the group since 1947.

Central Mutual Appoints Joseph Smith, R. V. Harris

Joseph Smith has been appointed special representative in Kentucky and Tennessee for Central Mutual of Van Wert, O. He was a special agent in that territory for two years prior to joining the company several years ago. Succeeding Mr. Smith in the southern Ohio and West Virginia field is Robert V. Harris.

Great American Names W. E. Parrish In Ohio

Wilkie E. Parrish has been named farm and hail special agent in Ohio for Great American. His office will be in Columbus.

Mr. Parrish joined Great American in 1955 as a farm underwriter at Chicago.

Name LeBourveau Special Of Pa. Lumbermens Mutual

Pennsylvania Lumbermens Mutual has appointed Reed LeBourveau special agent in Ohio and Michigan. He has been Ohio special agent of Berkshire Mutual. Prior to that he was a local agent at Montpelier, Vt.

N. H. Fire Names Ebert Suburban N. Y. Special

New Hampshire Fire has appointed Robert J. Ebert to succeed George D. James as special agent traveling the suburban New York field.

Mr. Ebert will assist State Agent William E. Chandler, with headquarters in White Plains, N. Y. He formerly was with Commercial Union-Ocean group and Corroon & Reynolds.

James Named L.I. Special

Fred T. Heath, Long Island City, general agent of New Hampshire Fire has appointed George D. James special agent, succeeding the late Edwin L. Pullen. Mr. James was formerly associated with General Adjustment Bureau, and for six years has served as assistant to State Agent William E. Chandler of New Hampshire Fire in suburban New York.

Royal-Globe Makes Three Texas, Ark. Changes

Royal-Globe has made several field changes in Texas. R. E. Diamond, state agent at Austin since 1952, becomes state agent at Dallas, succeeding George S. Fletcher, who transfers to Little Rock to handle fire and casualty business in Arkansas.

B. J. Brown, special agent at Corpus Christi since 1954, has been advanced to state agent and succeeds Mr. Diamond at Austin. Mr. Brown is replaced at Corpus Christi by Walter Fitch III, a recent graduate of the Royal-Globe training course in New York, who has been appointed a special agent.

Maxwell Becomes President Of Minnesota Field Club

George C. Maxwell, Fireman's Fund, has been elected president of Minnesota Fire Underwriters Assn. to succeed Bernard G. McCord, who is being transferred by his company to Kansas City. Mr. Maxwell will double as chairman of the public relations committee and has scheduled seminar meetings for agents this month in six cities.

Abright Is Texas Special

Great America has appointed J. H. Abright Jr. a special agent in southwest Texas. He will assist Special Agents E. J. Agnew and Fred A. Crawford, with headquarters at 610 Maverick building, San Antonio. He has trained in the southwestern department office and has served as an underwriter.

Rochdale Increases Capital, Surplus

Rochdale Ins. Co. has increased its capital from $375,000 to $1 million and its paid-in surplus from $450,000 to more than $1 million. The company has amended its charter and is now authorizde to write multiple line reinsurance of all classes except life, title and insurance of the life of property.

Henry D. Booth Jr., president, said that these additional powers would enable the company to broaden its scope of operations and extend better service to companies writing both fire and casualty lines. The reinsurance firm of Booth, Potter, Seal & Co. of Philadelphia acts as managing agents for the company.

New Orleans Award Goes To Tulane Professor

New Orleans Insurance Exchange presented its 1957 fire and accident prevention award to Prof. A. Lee Dunlap of the Tulane university college of engineering. John A. Barry, president of the exchange, made the award at the October meeting

Professor Dunlap was selected to receive the annual award in recognition of his efforts and interest in developing the new telephone fire alarm system now in operation in the New Orleans area. He is general chairman of the fire prevention committee of New Orleans chamber of commerce.

Installation of the new alarm system has resulted in New Orleans moving from a fourth to a third class rating which will save fire policyholders some $750,000 in annual premiums.

Give CPCU Awards At Columbus

Columbus chapter of CPCU presented designation awards to five designees from the Columbus area at a banquet on the Ohio State university campus. Members of insurance society of OSU were guests.

McCullough Criticizes Rate Filing System

(CONTINUED FROM PAGE 9)

originally adopted assumed a commission level anywhere from five to seven points less than the average of what is actually being paid by leading stock companies," he said. "I do not find fault with the people who made the original assumptions, but if competitive commission practices have caused the assumptions to be proven incorrect, then we should waste no time in revising the rating system."

The process of making rate filings is complicated, expensive and cumbersome, Mr. McCullough remarked. "Much of the paper shuffling that is required serves no useful purpose. It is fashionable in many circles to rail at the system of insurance regulation and the insurance department and commissioners in the system," but he said while some of this is justified the biggest problem in making rate filings lies within the company rating organizations and has little to do with regulatory process itself.

• • •

"In my own experience and from what I have seen in the operations of rating bureaus, the biggest headache is getting the filing on the way to the insurance department concerned. I am not talking about the physical act of preparing the papers as I am the entire process of decision between the time that someone connected with a rating organization gets the idea that possibly a change is indicated and the time when the resulting change is actually placed before the department. If someone has the idea, for example, that homeowner's rates are too low in the state of Michigan (or too high, for that matter), this is only the beginning in a rather involved process. First the staff of the bureau must decide whether there is anything to the idea either by consulting the experience available, comparison with comptitors' rates, checking with companies involved, etc. Then the matter must be referred to committee. Sometimes the committee meets once a month and sometimes less often. There are some rating bureaus in this country where the committees that really make the decisions only meet about twice a year. If the staff has done the preparatory work and the matter is a clear-cut proposition, sometimes a decision is reached on the day the committee first considers the matter.

"In some cases, however, the matter is deferred to a later date because the committee wants to look at more experience, or the members wish to consult with their companies, or for any one of a dozen reasons. When we add together the time lag entailed in gathering exprience, the time spent within rating organizations preparing material for committee decisions, the time during which the committee is deliberating, and the time during which the actual papers are being prepared, one reaches the inescapable conclusion that in most cases the whole process just takes too long, apart from any delays that may be encountered after the filing is actually delivered to the insurance department."

Oldrieve Retires; Scotland N.E. Manager Of Phoenix Of London

Phoenix of London has appointed James C. Scotland as New England manager succeeding Willard S. Oldrieve, vice-president, who retired Sept. 30. Philip M. Wilbert becomes assistant New England manager.

Mr. Scotland joined the group as production manager in 1946 and was promoted to assistant manager in 1948. He has been closely associated with all agency and underwriting operations of the New England department. He was formerly with Employers group in various field and supervisory underwriting positions.

Mr. Wilbert has been advanced from agency supervisor to his new post. He joined the group in 1950 as a multiple line special agent after a number of years as a state agent and underwriting supervisor for another company.

More than 75 New England insurance men attended a testimonial dinner given Mr. Oldrieve at Boston on his retirement.

W. C. Harris and D. W. LaRocque, vice-presidents, represented the home office. Other speakers included C. F. J. Harrington, former Massachusetts commissioner, Harry Wiley, executive secretary of Connecticut agents association, John Moulton of John Moulton agency, Lynn, Mass., and Buddy O'-Gara of John C. Paige Co. of Boston.

Everett Harlfinger, New England production manager, presented gifts to Mr. and Mrs. Oldrieve on behalf of the personnel of the Phoenix Boston office.

Mr. Oldrieve joined Phoenix Indemnity as New England manager in 1926 and assumed supervision of all casualty lines for the group in 1937. In 1943, he became co-manager of multiple line operations and since 1946 has had sole charge of the group's interests in the New England territory as vice-president of the domestic companies.

Mr. Oldreive is a past president and one of the organizers of Casualty Managers' Assn. of Boston and has also served as vice-president and director of Insurance Federation of Massachusetts. In 1943 he sponsored the law which authorized the writing of medical payments coverage in connection with compulsory auto in Massachusetts. He has been a frequent contributor to the insurance press and has addressed many insurance and civic gatherings.

Mutula Alliance Opens Southeastern Office

American Mutual Insurance Alliance has opened a southeastern office at Atlanta. Jack Pumphrey, since 1948 an executive with Tennessee Farmers Mutual, has joined the alliance as southeastern manager. Before going with Tennessee Farmers, Mr. Pumphrey was with Kentucky Farm Bureau Mutual.

Four Are Promoted By American; Echlund Gets HO Claims Post

American group has promoted P. A. Echlund to casualty claim division superintendent and transferred him to the head office. He has been claims manager at Milwaukee, and will be succeeded in that post by Edward A. Gorman who has been advanced from claims supervisor. The group also has promoted William R. Ohlstrom to casualty manager and Edmund R. Call to claims manager, both at Seattle.

Mr. Echlund has been with the companies since 1925, when he joined American Auto as claims manager at New Orleans. He was named claims manager at Milwaukee in 1927. Mr. Gorman, claims manager at Milwaukee since 1956, was with Fidelity & Casualty at Chicago before joining American Auto in 1946. He was at St. Louis before going to Milwaukee. Mr. Ohlstrom joined American Auto at Seattle in 1948 and was advanced to supervisor of casualty underwriting there in 1955.

Mr. Call joined American Auto at Portland in 1944, transferred to Boise in 1951, became claims supervisor at Seattle in 1953, and was named assistant claims manager there last year.

Suggests U.S. Get Into Auto Liability Insuring Of Servicemen Overseas

WASHINGTON—That the federal government may get further into the insurance business has been suggested here by Rep. Brooks of Louisiana, a member of the House armed services committee. The possibilities are government automobile liability insurance for armed forces personnel stationed abroad, or government underwriting of a private U.S. insurer which would write such coverage.

Mr. Brooks recently returned from an overseas inspection tour of armed forces installations. He reports that the greatest cause of tension under the so-called "status of forces" agreements between the U.S. and foreign governments is the matter of automobile accidents involving armed forces personnel and foreign civilians. Such problems make up about 90% of all legal actions in which U.S. servicemen are taken into foreign courts, he said.

Pointing out that few problems arise when armed forces personnel are insured and the companies step in and settle out of court, he said a government plan of blanket auto liability coverage of servicemen abroad or federal underwriting of an American company operating in this field may be the answer.

He indicated that many U.S. insurers hitherto writing such coverage abroad are reported to have found the business unprofitable and have discontinued writing it. Also, many foreign companies will not insure temporary residents.

Cincinnati Names Walker, Stoll To O., Ky. Fields

Cincinnati has appointed Warner S. Walker state agent in central Ohio with headquarters at Columbus and has named William A. Stoll state agent in Kentucky. Mr. Walker has been a marine special representative for Boston group.

Stevens To Address S.F. Forum

Fire Underwriters Forum of San Francisco at the Oct. 16 luncheon heard an address on "The Present Trend of Our Fire Service" by Jay W. Stevens, assistant manager of the National Board at San Francisco. On Oct. 21, members of the forum will go to Lodi to inspect the California Wine Growers Guild.

Service Guide

Phoenix Of Hartford Promotes Anderson, Others At Chicago

Herbert S. Anderson has been appointed to succeed William H. Potter Jr. as Chicago resident secretary and Cook county manager of Phoenix of Hartford group. Mr. Potter has retired.

The companies also have appointed Lester F. Higgins Jr. manager of the Cook county inland marine department, Hugh M. Wilson casualty manager and Joseph A. Weber fire manager at Chicago.

Slawson Heads N.C. Fire Bureau's Steering Group

North Carolina Fire Insurance Rating Bureau at its annual meeting in Raleigh, elected M. W. Slawson, assistant U. S. manager of Royal, chairman, and C. D. Arthur, manager of Great American at Raleigh vice-chairman of the governing committee. Henry Seawell, Charlotte, manager of Travelers Indemnity, was appointed chairman, and Tim E. Cooper of Charlotte, state agent of Phoenix Assurance, vice-chairman of the executive committee.

New companies on the governing board are Associated Reciprocal Exchanges, Fireman's Fund, Hanover Fire, and Springfield F.&M. New executive committee members are G. C. Llewellyn, Durham, state agent of Aetna Casualty, and Frank M. Williams, Raleigh, state agent of Seibels, Bruce & Co.

W. S. Bizzell was reelected manager, and C. E. Hibbard and John H. Hutchins, assistant managers of the rating bureau.

Prepare Agenda For Mich. Mutual Agents Nov. 6-7

LANSING—Program plans have been completed for the annual convention of Michigan Assn. of Mutual Insurance Agents Nov. 6-7 at Detroit.

Wednesday (Nov. 6) speakers will include Paul McDonald, president 1752 Club of Michigan; W. A. Stringfellow, assistant general manager of the national association; Paul Dubuc, vice-president Shelby Mutual; Robert Plamer, Lumbermens Mutual Casualty; Sgt. Thomas Tobin of the Michigan state police, and Philip R. Mongeau, coordinator of appeals for the Michigan department of state.

The Thursday program will include talks by John Keyser, the Michigan association's national representative, on "Collections;" Charles O. White, Fremont agent, on "Office Personnel Problems;" Darlyle Waters, head of the department's licensing division, and H. W. Johnson, associate professor Wayne State University, on "Reducing Unknowns in Insurance."

Name Nurse To Health Post

Kemper group has appointed Grace Bissonnette industrial health consultant for Lumbermens Mutual Casualty and American Motorists. A registered nurse, Miss Bissonnette has been in the insurance field since 1952 and was in industrial medical programs prior to that time. She will be assigned to the New England territory.

Casualty Officials, Agents Enjoy Parley

(CONTINUED FROM PAGE 4)

Earls-Blain agency, and W. T., who is Cincinnati general agent for Mutual Benefit Life, donated a new trophy, called the William A. Earls trophy after their father. E. L. Castleton, Maryland Casualty, who was co-chairman of the golf committee, announced this and offered a resolution of acceptance and appreciation.

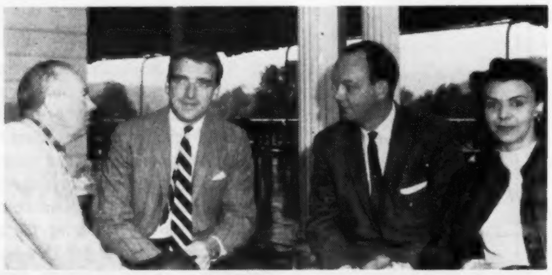
Insurance commissioners present were G. A. Bisson, Rhode Island; J. S. Gerber, Illinois; J. A. Navarre, Michigan, H. E. Neely, West Virginia; A. E. Northington, Tennessee, and T. N. Parker, Virginia. They were introduced at the opening session.

As reported last week, R. Z. Alexander, president American of Newark, succeeded Mr. Harper as president of the company association. There was an interesting slant to this, as Mr. Alexander started his climb up the ladder when he was president of American Automobile, assuming his present position when the two groups merged last year.

• • •

The annual dinner was, as usual, festive and crowded. The entertainment pleased everyone, including the fact that one of the stars was Betty Murphy, daughter of Ray Murphy of Assn. of Casualty & Surety Companies, and Mrs. Murphy.

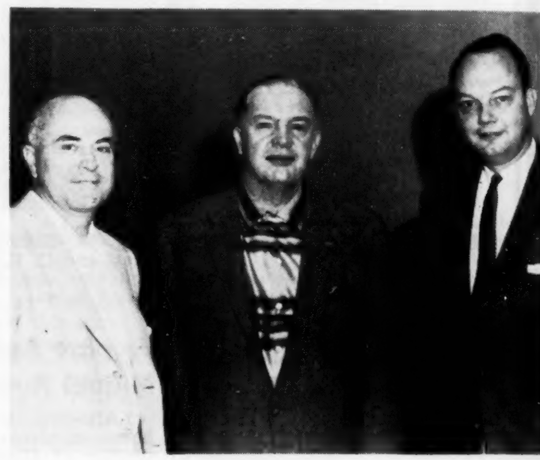
Mrs. Ray Murphy, and Mr. Murphy, general counsel of Assn. of Casualty & Surety Companies, with Mr. and Mrs. William Leslie at the joint casualty meeting. Mr. Leslie is manager of National Bureau of Casualty Underwriters.



H. C. Valcour and Alexander Ellis, both of Fairfield & Ellis, Boston, chatting with Commissioner H. E. Neely of West Virginia and Mrs. Neely.

Mrs. M. W. Heard, wife of the vice-president of Hartford Accident, with R. B. DeVore, secretary of Hartford Accident, and Mrs. DeVore.

T. W. Earls, past president of National Assn. of Casualty & Surety Agents, on the rostrum during the joint casualty meeting in White Sulphur Springs.



J. G. Harkins of U.S. Casualty, with C. M. Sullivan of Huntington, W.Va., and Commissioner H. E. Neely of West Virginia at the casualty meeting.

On hand for the casualty meetings at White Sulphur Springs: C. S. Weech, New Amsterdam Casualty; Mrs. D. H. Denton of Charlotte, N.C.; A. R. Johnson of New Amsterdam Casualty; Mrs. Weech and Mr. Denton.

L. B. Brainerd, president of Hartford Steam Boiler, with E. P. Simon of the Critchell-Miller agency of Chicago at the joint casulaty meeting at White Sulphur Springs.

Retail Credit Co. representatives— H. E. Stufflebeem, New York, Mrs. W. E. Callahan, Atlanta, and Mr. Callahan.

Mr. and Mrs. George S. Hanson on hand at the casualty meetings at White Sulphur Springs. Mr. Hanson is secretary of National Assn. of Insurance Agents.

A. R. Johnson, New Amsterdam Casualty; C. H. Ritter of Denver, and F. M. Bullen, U.S. Casualty, visiting at the joint casualty meeting last week in White Sulphur Springs.

Mass. Companies Take Long Look At Compulsory

(CONTINUED FROM PAGE 15)

1929. The year was one of both state and national elections, however, and politics won out and have largely influenced rates since.

With the existence of such a situation, the study brings out that a common responsibility now rests with all concerned with compulsory auto in Massachusetts to strengthen the system by correction of the frailties, abuses and inconsistencies found in this social device.

Relatively few of Massachusetts' two million motorists have a conception of even the bare fundamentals of the law making it mandatory they be insured for BI. Very few know how the system operates. The casualty companies say the motoring public has been so thoroughly sandbagged by political opportunists who propagate deliberate and malicious distortions of fact concerning the system—especially at rate making time—that it is a bewildered and, they say, an inflamed public, whenever any controversy over compulsory insurance arises." Such was the case when rates for 1957 were promulgated. The inflamation did not subside until the casualty companies sued the insurance commissioner in Massachusetts supreme court and won a verdict which compelled him to set rates more closely reflecting the increases they had requested on the basis of bad experience in 1956.

This event pointed up a long prevailing notion that insurers set the rates for compulsory insurance in Massachusetts. They do not. They can only recommend and request rates. The law designates the insurance commissioner—Joseph A. Humphreys, at present—the complete and sole authority for setting the rates. In nearly all other states, however, the com ly all other states, however, the companies set BI rates, subject to approval by regulatory authorities.

• • •

The most controversial class of rates are those affecting private passenger cars. These comprise about 87% of all registered motor vehicles in Massachusetts and it is with this majority that *The First Thirty Years* concerns itself seeking, as it does, to clarify some of the common misconceptions and misunderstandings of the compulsory system which have been rife among the motoring public there for so long they have acquired an aura of truth.

The book is made up of 10 chapters dealing with the inception of the system, insurance costs and related matters, the state rating bureau, how compulsory rates are made, the under-25 driver problem, territory rating vs. flat rate fallacy, claims, the assigned risk plan, proposed innovations and changes in the existing system, and the reduction of insurance costs by means of an organized and concentrated program for decreasing automobile accidents. Also included is an appendix comparing the Massachusetts law with that of New York. Foremost in importance, of course, are those parts dealing with rates and rate making.

" 'Auto Rate Hike Brings Roar of Protest,' " the casualty companies say, "has now become a familiar newspaper headline in Massachusetts, and it is usually accompanied by a statement from the insurance companies insisting that the rates are grossly inadequate."

• • •

The contention of the casualty companies that the rates are grossly inadequate has sound foundation. "It is a matter of public record," they say, "that while the insurance companies annually recommend to the commissioner compulsory rates which they believe should be established, the commissioner has consistently set rates lower than those recommended by the companies." This has been the practice, in spite of mounting loss experience showing the recommendations have been conservative rather than excessive. The companies point out that they should have been granted the increases they asked in rates during the years 1951 through 1956, "the actual claim losses still would have exceeded the provision for losses in the rates by more than $13 million."

The situation being what it is—a public resentful of rate hikes and the insurers protesting rate inadequacies—the question is asked: "If the insurance companies are really losing millions on compulsory insurance year after year in Massachusetts, why do they continue to write the business?" Why, indeed. Under any other cir-

Describes Advances In 10 Years Of Interstate Rating Of Workmen's Comp

The simplification and reduction of clerical work that has resulted in the last 10 years with the use of interstate rating for workmen's compensation was described by E. K. Bach, manager of Interstate Compensation Rating Bureau of New York at a meeting at Indianapolis sponsored by Workmen's Compensation Rating Bureau of Indiana.

Mr. Bach said interstate rating has removed numerous technical details of procedure, administration and application of rules. It is possible to have as many as 38 jurisdictions covered under a single policy, all carrying the same experience modification. Ten years ago this month, before interstate rating was introduced, the chances were that 38 modifications might have been used on the same coverage he said. The simplification holds true also for questionnaire forms and various affidavits, which formerly had to be filed individually with each bureau, but today can be handled under one filing.

Mr. Bach said there is no letup in the growth of interstate rating, and indications are that 27,000 such ratings will be issued this year.

Hearing Oct. 29 On Plan For Continuous Policy In Texas

The Texas department will hold a hearing Oct. 29 at Austin to consider the request by Fire Insurance Exchange of the Farmers group to use a continuous policy clause in connection with the Texas standard policy.

Name Abercrombie To Claim Post

Southern New England Adjustment Bureau has appointed Albert A. Abercrombie vice-president in charge of casualty claims of its affiliate, Bliss & Cole, in Hartford. He has been in charge of casualty claims for Phoenix-Connecticut group.

Thomas R. Jones, president of Daystrom of Murray Hill, N. J., has been elected a member of the eastern advisory board of Lumbermens Mutual Casualty.

cumstances the losing lines would be discontinued.

However, the companies, because they have not always lost money on auto liability in Massachusetts, continue to write it in the hope of getting adequate rates as soon as possible. In the meantime, they cannot cease to write compulsory, as this would result in the business being assumed by the state and operated as a state monopoly, which they believe would be more costly and less efficient. A strong feeling among the companies is that if this were done it would be only a few years more before workmen's compensation non-occupational disability and other forms of insurance would be taken over by the state.

However, ample evidence that Massachusetts is not the best of states in which to write automobile business is the fact that as of last year fewer companies are licensed to do so there than are licensed in neighboring states. For instance, 253 insurers write auto coverages in New York, 242 in Rhode Island, and 232 in Connecticut. But only 111 write them in Massachusetts.

• • •

Further, there is no allowance for profit in Massachusetts compulsory auto rates. Therefore, when they are set at anything less than what the casualty companies determine necessary, the companies immediately take a loss writing the business. Illustrative of this is a comparison of the rate increases recommended by the casualty companies over the period 1951-1957, and the rates put into effect by the commissioner. In 1951 the companies asked an increase of 5.8%, the commissioner approved 2.9%. In 1952 the percentages were 22 and 8.6, respectively; in 1953, 36.9% and 17.7%; 1954, 19.2% and 9.3%; 1956, 11.3% and 5.3%, and 1957, 22% and 19.6%. A reduction in accident claim frequency in 1954 prompted the companies to recommend a 3% decrease in the rates in 1955. They said any more of a reduction would result in inadequate rates if there was a sudden upswing in claims. The commissioner, however, approved a 6.3% reduction. His action was abruptly followed by a rise in claim frequency that has continued through 1955, 1956, and 1957.

Praises Holz Decision In North America Case

(CONTINUED FROM PAGE 2)

business." When complaints build up in this way, the Justice Department makes them the subject of preliminary inquiries and calls for full investigations by the FBI and federal grand juries. There is currently one grand jury investigation in progress, he said. While he did not name it, it is known that the grand jury is engaged in extensive investigations of mortgage loan practices in Los Angeles.

The investigation (at Los Angeles) involves a large residential mortgage or trust deed lender, Mr. Hansen said. It is based upon complaints made to the anti-trust division by responsible representatives of insurance organizations as well as individuals. The complaints allege that preponderant portion of hazard insurance paid for by borrowers of this institution is funneled to a company which is controlled by officers of the lending institution and this business constitutes the majority of insurance written by the affiliated insurance company.

• • •

As a result of these complaints, the FBI was requested to conduct a full field investigation, but the institution and its affiliated agency and company refused to permit the FBI to examine their files. When voluntary access to the files is refused, Mr. Hansen said, the anti-trust division has two alternatives—either to drop the investigation or present the matter to a grand jury. This case has been presented to the grand jury, which is continuing its investigation at the present time. "The facts unearthed by the investigation should determine whether the particular institution, its affiliated insurance agency and company and important officers have in fact acted in violation of the Sherman act," he said.

When one of the investigation indicates that a lender is violating the principle of the IDS decree, the anti-trust division will proceed against him, Mr. Hansen added.

Rating bureaus come in for their share of attention, especially the antagonism of some of them toward attempts of members or subscribers to deviate from established rates and pass on to the public the results of the economies and operation, Mr. Hansen said. "If carried too far, such conduct may be regarded as coercive and thus interdicted by the anti-trust laws," he declared. "Examples of unreasonable interference with the right of an insurer to act independently in the matter of rates and rating practices might include harrassing litigation, collective pressure upon lenders not to accept the policies of deviating companies, and collective attempts to deny the insurer access to statistical and rating services generally available to other insurers."

Price fixing and other non-coercive restraints imposed by rating bureaus are subject to the Sherman act to the extent that such business is not regulated by state law, he added. There is no exemption for these activities, merely because the state has legislated, if it does not adequately enforce its regulations.

Number Of Losses Down, But Amounts Increase, New York Board Reports

New York Board reports 532 fire, extended coverage and sprinkler leakage losses in its territory in September of $1,414,276, a decease in number of 5.8%, but an increase in the amount of 23.5% from September last year. For the nine months, the number of losses was 6.633, a decrease of 14.49% for $20,967,081, an increase of 21.29%.

Plan Agents' School Dec. 2-6

United Fire & Casualty will hold its annual agents' school at the home office Dec. 2-6 under the direction of Bernard W. Moore, vice-president and educational director. Agents are expected to enroll from Iowa, Minnesota, Nebraska, South Dakota, Wisconsin and Colorado.

WANT ADS

Rates—$20 per inch per insertion—1 inch minimum—sold in units of half-inches. Limit—40 words per inch. Deadline 5 P. M. Friday in Chicago office—175 W. Jackson Blvd. Individuals placing ads are requested to make payment in advance.

THE NATIONAL UNDERWRITER

BROKERAGE MANAGER WANTED

New England company selling Life, Accident and Sickness, Family Hospital, Group (Major Medical, Junior Group, etc.) offers unusual opportunity to experienced Brokerage Manager. Will head up operation in established downtown Chicago agency. Salary and bonus and other attractive incentives including profit sharing pension trust, group and hospital coverage. If you are qualified send resume immediately to Box X-25, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill. All replies confidential and will be acknowledged.

ATTENTION—SPECIAL AGENTS

Two Illinois Territories Open For Experienced Multiple-Line Field Men

A well-financed agency stock company, recently entered in Illinois, needs two experienced multiple-line special agents who know central and northern Illinois territory (except Cook County). All general insurance lines are written by this company except A and H and Bonds.

These are particularly attractive opportunities for the aggressive special agent who can produce first-class business. Salary open. Car furnished plus generous group insurance and retirement benefits.

If interested, reply c/o Box X-23, National Underwriter Company, 175 West Jackson Boulevard, Chicago 4, Illinois.

FOR SALE

Small real estate and insurance agency, approximately $22,000 premium volume, including ultra-modern offices and equipment. Well estabished in community o: 25,000, in north central Illinois. A rare opportunity and future here for qualified young man or a good stable investment for semi-retired man. For further information and details, write Box X-15, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

Southwestern General Agency with adequate underwriting and engineering staff has need of additional multiple line company. Business well diversified with minimum volume of automobile. Address Box X-16, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Illinois.

CASUALTY SPECIAL AGENT

Large Stock Company needs experienced man for West Virginia Territory. Salary open. Car furnished. Address reply in confidence to Box X-17, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

AGENCY AVAILABLE

Situated Southwest Louisiana—industrial area—approximately 60,000 population—$10,000.00 cash with balance monthly can handle full interest or half interest in agency—Reply Box X-18, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

AVAILABLE

Multiple Line Special Agent. 30 years of age, married, family. Past 3 years Special Agent for capital stock companies. Also 8 years Inspection Bureau experience. Will relocate. Address Box X-19, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Illinois.

HOME OFFICE CLAIM EXAMINER & UNDERWRITER

Position open for man between age 30 and 40 with at least five years experience in hospitalization and health and accident underwriting and claim adjustment. New department recently opened by Catholic life fraternal society established 1898 in Cleveland area. Excellent ground floor opportunity for the right man to grow with organization. Salary open. Send résumé of experience and full personal details to Box W-91, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

LOCAL AGENCY FOR SALE

Florida East Coast agency writing $65,000.00 annually, representing standard stock companies. Long term lease on present location. No target risks; established 19 years. Reason for selling—age; owner will remain until purchaser is established. Write Box X-22, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

FOR SALE

$100,000 volume agency for sale in Pueblo, Colorado, priced for quick sale. Contact P. O. Box 979, Colorado Springs, Colorado.

Do you have any Casualty or Fire Insurance policyholders in Denver, Colorado? We will buy their expirations from you. File this ad as some of your clients may transfer here. The Armond Schneider Agency. 1190 Elm Street, Denver, Colorado.

FIRE MANAGER

WELL ESTABLISHED Multiple Stock Company has opening in Chicago for Fire Manager of its Midwest Department. Production background necessary. Salary open. Address Box X-10, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Illinois.

FIRE FIELDMAN WANTED

for State Agent duties

ILLINOIS, except Cook County CREAM CITY MUTUAL INSURANCE CO. 6700 West Capitol Drive, Milwaukee, Wisconsin.

AGENT PURCHASE

Planned expansion program places us in a position of desiring to purchase an insurance agency of any size in the Metropolitan St. Louis area. Write or call: Cervantes Cobb Walsh Insurance Agency—3910 Lindell—JE. 5-3606—St. Louis, Missouri.

NAII Manager Speaks Against Bureau Conformity

(CONTINUED FROM PAGE 1)

is not in imminent danger of agreeing about everything, "but we hear voices raised and forces working for more and more conformity—conformity in rates, conformity in classifications, conformity in coverages and even in ways of doing business."

If such conformity were advocated only for those preaching it, on a voluntary basis, it would be one thing, Mr. Lemmon remarked, this being the very thing the McCarran act and the all-industry bills were designed to allow, "but these people are now attempting to impress their yoke of conformity on the other fellow."

He observed that considerable publicity was given recently to "this astounding statement" by the manager of a large rating bureau: "There can be no reasonable doubt that the duty of supervision is to reconcile every independent filing and every deviation with the paramount vital filings of the rating organizations." This same rating bureau spokesman, Mr. Lemmon observed, recommended that the deviation section of the rating laws be reappraised, revised and tightened, while the general counsel of a large mutual bureau company has complained because some independents are writing a large volume under their own classification systems. Further, certain producers' organizations have announced opposition to all deviations.

• • •

Such statements, Mr. Lemmon said, "are just a few ripples in the stream of invective which in recent months has been loosed upon the right of competition. They signal the opening of a master plan of attack at every quarter and in every section of the country. We see what appears to be a 'pincer movement' to encircle the healthy forces of individual initiative. It is an all-out attempt to devitalize independent companes."

Local fire rating bureaus, he charged, have grown "bolder and bolder" in their efforts to deter companies from exercising their partial subscribership, deviations or complete independent action. One bureau leader has expressed satisfaction that the insurance commissioner in his state summarily denied renewals of deviations by four stock companies and one mutual, and, reporting that the bureau staff had made it a practice to oppose all deviation filings at public hearings, boasted: "This program has paid off in that regulatory authorities are beginning to appreciate our line of thinking that uniformity and rates and forms is in the public interest."

Not long after this, another state cancelled all outstanding deviations and independent filings and attempted by administrative edict to force all companies to charge the same rates. NAII, Mr. Lemmon said, was instrumental in getting this order relaxed. In another state, however, 30 small companies have been notified that their deviations, many of long standing, would no longer be permitted. "And so," he commented, "the steam roller of conformity is riding over small and large companies alike."

Mr. Lemmon quoted John Diemand, president of North America, about the difficulties his company has had with its homeowners policies, its rate deviations and its installment premium plan, and said other independents have encountered "similar harrassment' when they try to offer the public a lower price or a different product.

"In the case of the larger companies, Mr. Lemmon declared, "this harrassment is bad enough. But it is an almost impossible obstacle for the small and medium-size companies which can ill afford the delays of dilatory administrative action, or the expense of engaging in costly hearings and litigation. To them, the mere threat of organized opposition has succeeded all too often in blocking their efforts to be competitive.

"Now, this organized opposition does not openly say it is against competition. They recognize the right of competition—oh, yes—but it is only a mirage. There must be no competition as to rates, nor as to forms, nor as to classifications. Competition must be feeble, not healthy; static, not dynamic. And above all, it must not disturb in any particular the cozy, comfortable patterns of concerted thinking that have been sacrosanct for the past century.

"To attempt to follow the reasoning of these people, the company that desired to deviate would be in the plight of Alice trying to find her way out of Wonderland. On the one hand they say 'You cannot deviate on your own experience alone, you must use the combined experience of all companies.' On the other they say 'You can deviate only on your own experience.' Then they add: 'But wait—one company's experience can never be credible.' So the double talk goes. Add it all up and you could never deviate."

• • •

The "hypocrisy" of this reasoning, Mr. Lemmon stated, was "laid bare by the sharp scalpel of Superintendent Holz" in his Sept. 4 opinion upholding the North America rate filings when he said: "If this department were to sustain the contention of NYFIRO that a company filing independently cannot use its own expense ratios, then all companies would necessarily have the same rates as those of the rating organization."

The apostles of forced conformity have talked themselves into the wistful belief that the paramount purpose of the McCarran act and the all-industry bills was to perpetuate the practices of pre-SEUA days, Mr. Lemmon asserted. He said this kind of thinking was indulged in by NYFIRO in the North America case, but was not upheld by Mr. Holz.

• • •

Mr. Lemmon charged that the "grievous loss situation has been seized upon by the prophets of conformity as a pretext for now forcing everyone into their rigid pattern. It escapes me how the uniformity would cure a bad loss picture; certainly the record of insolvencies under the Texas one-rate law belies the notion that uniformity insures adequacy."

Commenting that the rating processes seem unable to keep abreast of inflation, Mr. Lemmon declared that some people in the industry—primarily in the fire field—"and even on the regulatory side, would attach omniscient qualities to everything that is produced by rating bureau action. If not treated as unimpeachable, the bureau filings are considered the norm to

which all other ideas must be beholden."

No company, person or organization has a monopoly on bright ideas, he observed. No rating system, coverage or form is the exclusive brainchild of any individual or organization. Each borrows from what has gone before and leans on what someone else has tried.

"Apparently some of those who were willing to recognize the principle of competition when they considered it only an empty token have not found its invigorating influence to their liking," Mr. Lemmon continued. "They would not attempt to turn back the clock, even by resorting to monopolistic legislation. May I suggest that if they are so unhappy about the competition that now exists, they go back and demand that congress outlaw competition and return the insurance business to the days of private monopoly.

• • •

"As staunch advocates of state regulation, we cannot sit idly by in the face of the rising flood of practices that threaten our very existence; nor can we fail to defend the rights of our companies and the millions of policyholders they insure. We have been forced to take legal steps on several recent occasions to protect these rights and the continued operation of our companies; and if necessary, we stand ready to do so again. As much as we would prefer to support our position only by friendly persuasion and logic, we have no choice, where this fails, but to stand up and fight.

"In spite of all that may be said on the subject, some people remain oblivious of the dangers of federal intervention inherent in monopolistic abuses of any form. They persist in playing Russian roulette with the future of state regulation. Even the stirring of anti-trust division interest evidenced in the Cleveland and New Orleans cases has not awakened them."

Mr. Lemmon also had some forthright comments to make concerning the program of NACCA.

The ideas of NACCA have caused a wave of "compensationitis," he said, remarking that he knows of no other single word to describe the shift in philosophy that has occurred in the courts and legislatures regarding claims and awards. It is no longer "to each according to his loss," but "to each according to the emotional appeal of his claim, and the sky's the limit," he averred.

• • •

NACCA, Mr. Lemmon charged, has organized public attitude into big winnings in the law suit business. NACCA has become "an unvarnished pressure group, whose basic mission as glibly stated by one of its spokesmen is 'to comfort the afflicted, and afflict the comfortable.' "

NACCA is carrying on an open and militant campaign to increase the frequency and size of damage awards, Mr. Lemmon said, part of this program being accomplished through state legislatures, part through the judiciary and part through the faculties of law and medical schools. All of this is parlayed in the courtroom before the juries.

Carried to its logical conclusion, the NACCA program could bankrupt the companies, and if the casualty business is destroyed it will be replaced by state insurance and there will be slim pickings for the NACCAs, he opined.

Mr. Lemmon suggested that the full implications of the NACCA movement and ideology must be brought home to everyone in the insurance business. Each segment of the industry should strive to improve its understanding of the position of the others on the common problem and coordinate efforts to protect the public interest.

Additionally, he suggested, the industry might take a new look at the legislative front and think about taking the initiative in fighting measures which are not in the long-range interest of the insuring public. For instance, he said, it has been suggested that a rider be attached to every pro-plaintiff measure such as comparative negligence, which would provide for a ceiling on the plaintiff's attorney's fees. Such riders might dampen the ardor of some of the proponents of these doctrines, and would further their public-spirited objectives by giving the injured party a "more adequate *net* award." There must be vigorous resistance to the chipping away of traditional rules and principles inherent in the judcial process, Mr. Lemmon continued. He noted that a few weeks ago the Illinois supreme court ruled that an insured defendant may be forced to disclose his policy limits in a pre-trial discovery proceeding in order to enable the plaintiff to evaluate his case for bargaining purposes. NAII and two other trade associations are filing a strong amicus curiae brief in support of the defendant's petition for rehearing.

Finally, he said, new and better ways must be found to get the insurance side of the story to the people. The public must be convinced that insurance is the friend of the adequate award if it is to serve because insurance is striving to preserve the private enterprise system which makes such awards possible. The public must be told of its stake as jurors in dealing fairly with the funds companies hold in trust for them as policyholders, and the public should be apprised of its responsibility in providing a legislative climate in which the companies can continue to act.

Public Adjusters Hear Gordon Talk At Chicago

George E. Gordon, president of National Assn. of Public Insurance Adjusters, addressing a meeting of members in the Chicago area, stressed the need of an association of public adjusters in order to increase the stature of those engaged in the business. He said the greatest danger to the public adjusting business is the ease with which a person can become a public adjuster, simply by printing a card. It is the only business a man can enter without capital, education or experience, Mr. Gordon said, but members of NAPIA have the knowledge gained by years of experience. The association supplies its members with bulletins, law decisions, and educational symposium and other benefits, he declared.

Northwestern Mutual Has New Office At Los Angeles

Northwestern Mutual has opened a service office at West Los Angeles to handle claims and production. Robert G. Larson is head of the claims unit and L. T. Adams is in charge of production.

Mr. Larson has been an adjuster for Northwestern Mutual at Salt Lake City and more recently has been in claims at Los Angeles. Mr. Adams has been with the company in the Los Angeles territory for 22 years.

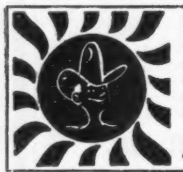
Richmond Assn. of Insurance Agents is sponsoring a meeting on compulsory automobile insurance and the unsatisfied claim and judgment fund Oct. 23. R. Newell Lusby, vice-president of America Fore, will speak.

DIRECTORY OF RESPONSIBLE

INDEPENDENT ADJUSTERS A

CALIFORNIA

W. C. QUIGG & ASSOCIATES
248 Spreckles Theatre Bldg., San Diego 1, Calif.
Telephone BE 2-5138
Service Office: 120 N. Orange Ave., El Cajon
Telephone HI 4-3139
ADJUSTMENTS — ALL LINES
Member Calif. Assoc. Independent Adjusters



SERVING MOST OF
SOUTHERN CALIFORNIA
• San Bernardino—456 'D' Street
• Riverside—3680 Main Street
• Santa Ana—2021 No. Main Street
• Barstow—130 E. Main Street
Jack Hill & Company

FLORIDA

RAYMOND N. POSTON, Inc.
159 S. W. 8th St. Miami, Fla.
BRANCHES
FT. LAUDERDALE
521½ S. Andrews Avenue
PALM BEACH AREA
16 N. L Street Lake Worth
KEY WEST
415 Fleming Street
ST. PETERSBURG
486 1st Avenue

ILLINOIS

E. S. GARD & CO.
Adjusters
CHICAGOLAND CASUALTY CLAIMS
★ ★ ★ ★ ★
175 W. Jackson Blvd., WAbash 2-8880

JAMES J. HERMANN CO.
175 W. Jackson, Chicago
HArrison 7-9381
Aurora, Ill.—Merchants Nat'l. Bank Bldg.—Aurora 6-5126
Waukegan, Ill.—110 N. Genesee St. MAjestic 3-4540
Joliet, Ill.—Morris Bldg. JOliet 6-2613
Ottawa, Ill.—Central Life Building Ottawa 1474

JOHN H. HUNT & CO.
330 So. Wells St. Chicago 6, Ill.
Investigators and Adjusters
ALL CASUALTY LINES
Servicing Chicago and vicinity, Waukegan, Ill., Gary, Hammond and Northwestern Ind.
Elmhurst Branch: 118 S. York Tel. TE 4-9480
Waukegan Branch: 215 W. Water St. Tel. DElta 6-8822
Gary Branch: 1228 W. 5th St. Tel. TUrner 2-9338
24 Hour Service
Phone HArrison 7-0153 Night: TErrace 4-7840

J. R. McGowan, Pres.
THOMAS T. NORTH, INC.
Adjusters All Lines
Phone HArrison 7-3230
175 W. Jackson Blvd., Chicago 4

J. L. FOSTER & R. K. FOSTER
Insurance Adjusters
First National Bank Building
Springfield, Illinois
Tel. 8-7555
Fire Inland Marine Casualty

LIVINGSTONE ADJUSTMENT SERVICE
619 E. Capitol Ave., Springfield, Illinois
Branch Offices: Decatur — Mattoon — Mt. Vernon — Belleville — Quincy
Covering Central and Southern Illinois
All Lines of Fire & Casualty

CHICAGO SUBURBAN CLAIMS SERVICE
Adjusters
STate 2-4803
100 N. La Salle St. Chicago 2, Ill.

INDIANA

JOHN H. HUNT & CO.
330 So. Wells St. Chicago 6, Ill.
Investigators and Adjusters
ALL CASUALTY LINES
Servicing Chicago and vicinity, Waukegan, Ill., Gary, Hammond and Northwestern Ind.
Elmhurst Branch: 118 S. York Tel. TE 4-9480
Waukegan Branch: 215 W. Water St. Tel. DElta 6-8822
Gary Branch: 1228 W. 5th St. Tel. TUrner 2-9338
24 Hour Service
Phone HArrison 7-0153 Night: TErrace 4-7840

NEVADA

R. L. GRESHAM & CO.
Multiple Line Adjusters
312 North 5th Street Las Vegas, Nev.
8 Adjusters Servicing 150 Mile Radius

NEW YORK

In the Insurance Industry
WORK *means* SERVICE
Ralph A. Work,
General Adjuster for the Companies
132 Nassau St. WO 2-3913
24-HOUR SERVICE—Residence Phone RA 9-2966

NO. & SO. DAKOTA

AMERICAN ADJUSTERS
P. O. Box 435 Aberdeen, So. Dakota
Office Phone 3092
Night Phone 3114 and 7470
All Casualty, Auto, Fire and Allied Lines Since 1944 throughout Southern ½ of North Dakota and Northern ½ of South Dakota.

OHIO

O. R. BALL, INC.
Fire — Inland Marine
Allied Lines
1544 Hanna Building
Cleveland 15, Ohio
Phone SUperior 1-7850
Night Phones: MOntrose 3-7664
FLorida 1-5095

THOMAS D. GEMERCHAK
Insurance Adjustments
All Lines
416 Citizens Bldg., Cleveland 14, Ohio
Phones Off. Su. 1-2666 — Res. Fa. 1-9442

OKLAHOMA

C. R. WACKENHUTH AND SON
C. R. WACKENHUTH R. C. WACKENHUTH
ADJUSTERS FOR THE COMPANIES
ALL LINES
301 Mid-Continent Bldg., Tulsa, Oklahoma
Phones LU 2-5460 GI 7-3850

UTAH-IDAHO

SCOTT WETZEL CO. UTAH-IDAHO
INSURANCE ADJUSTERS
428 So. Main, Salt Lake City, Utah
First Security Bank Bldg., Pocatello, Idaho
258 W. Broadway, Idaho Falls, Idaho

TORONTO-CANADA

ADAMSONS, LTD.
Established 1894
Fire - Inland Marine - Casualty and Auto ADJUSTERS
10 Lines to Serve you.
Our cars are equipped with radio for fast efficient service.
Phone: EMpire 3-6223
9 Wellington St., East Toronto 1

Mich. Supreme Court Takes Terminus Off Of WC Payments

LANSING—Another drastic liberalization of Michigan's workmen's compensation law apparently has been effected through interpretation by the state supreme court.

In opinions handed down during the past week, a majority of the court adopted the principle of extending compensation payments indefinitely so long as a worker continues disabled from a compensable injury.

The first decision involved the case of Peter Van Dorpel, who lost a leg and four fingers in an accident in December, 1948, while employed by the Haven-Busch Co., Grand Rapids. A 300-week award was made and the compensation department ordered a 450-week extension when he was unable to return to work at expiration of the original award. This was contested in an appeal by the employer and its insurer, Metals Mutual.

Speaking for the minority, Justice Leland W. Carr held that a 1920 decision limited an award to its original expiration date and that failure of the legislature to amend the act specifically to open it to additional awards in effect lent legislative support to the opinion.

• • •

Justice John D. Voelker, writing the governing opinion, declared that "we reject as both un-Christian and legally unsound the hopeless doctrine that this court is shackled and helpless to redeem itself from its original sin, however or by whomever long condoned." The majority opinion held the law should be construed to provide for continuing payments throughout continued disability.

Awards also were made to Mrs. Esther Dyer, a secretarial worker for the Muskegon Sears, Roebuck & Co. store, and Victor Freiborg, a Chrysler corporation employe in Detroit. In both cases compensation was contested on the ground that the injuries were not sustained "out of and in the course of employment." The court held that the law covers employes going to or coming from work while on employer's premises.

Boston has moved its Baltimore branch to 5008 York road.

Urges Modernization Of Accounting Process

(CONTINUED FROM PAGE 5)

skein of insurance accounting. We are governed to a large extent by the figures that are required by governmental bodies. We must recognize that the government is interested in our results only from the standpoint of rate making and solvency. There are tasks and standards by which these can be determined, with their purposes, but are completely inadequate for the actual running of a business. We have organized and run our account departments in the industry so that they are entirely related to regulatory bodies rather than managements. For example, cost accounting in the insurance industry is in its infancy. We depend upon the expense exhibit and regulation 10 to tell us how we are spending our money. These figures may have some general application, but do not represent all the true picture of our expense. It may be that we will have to start keeping two sets of books, one for regulatory bodies and one for ourselves.

"Necessary to this possibility of dual accounting, is the absolute necessity for simplification and speed. In short, we must get our figures faster. We all know the 'months of dread' at the beginning of each year, at annual statement time. There are few of us who look forward to this period of overtime, short tempers and headaches. Not only do we have that problem, but in the next month or so we have to worry about the expense exhibit. We in the industry spend about four months a year finding out where we were last year. That isn't all, however, because it takes us six months to nine months or even a year to find out what our rate level was doing to us. All this means that we are always operating in the past. No matter how far ahead we project ourselves into the future, unless we can cut down the delays in assessing our yearly position, we will never quite catch up."

Mr. Steel reviewed reports prepared by the Federal Reserve Board which reflect approximations of the nation's economy and said that much the same procedure could be used in the business. To do this, he said, "we first need to take a hard look at all the information which we require, and is required of us. Once we have analyzed what we need and when we need it, we can proceed to getting the figures faster. It is of extreme importance in our industry today, providing we get the right figures, and we must be able to ferret out the important from the unimportant."

He warned against over-mechanization in accounting. "We can become overly mechanized. We can increase our costs. We can lose ourselves in ever greater mazes of statistics, unless we overcome the basic problems—simplication and speed," he continued.

Says "Guts" Of NAII Is Right Of Independence

The "guts" of National Assn. of Independent Insurers is the preservation of the right to be independent, Col. Charles E. Cheever, United Services Automobile, told NAII members in his presidential address. Official association policy is determined by majority rule but without prejudice to the rights of the minority, he said, but all companies have the common denominator of believing in the right of independence of action.

As an example, Col. Cheever said during the year one of the smaller agency stock companies was denied the renewal of its deviation in one of the states. "The powerful rating bureau in that state, encouraged by its eastern parents, marshalled full and determined opposition to this company's right to deviate." The NAII staff went to work on the problem, but the biggest boost came from the voluntary offer of unlimited actuarial and legal assistance from two direct writers. "The two companies provided their top talent at their own expense in the cause of this smaller company," Mr. Cheever said. "Where, I ask you, can you find more concrete evidence of a democratic institution?"

Running over some of the staff activities, Mr. Cheever mentioned compulsory, which was considered in 32 states; rating laws, and investment regulation legislation. Although the legislative results were respectable, Mr. Cheever said it has become obvious that in the future the insurers must rely not only on defensive measures, but must be prepared to move ahead with a program of their own.

Comingling Rules Go Into Effect In Illinois

Premiums collected by agents and brokers which are to be paid to an insurer must be deposited in a special demand checking account entitled "Premium Fund Trust Account" in a national or state bank in Illinois, under an order of Director Gerber, effective Oct. 15. Copies of the order have been sent to all of the 118,637 licensed agents and brokers in the state.

Mr. Gerber said the purpose of the order is to prevent commingling of funds. He said the regulation will eliminate the confusion which has existed between agents, brokers and companies concerning the handling and accounting for premiums. The order provides for the keeping of records which will disclose the source of money deposited in an account and identify persons to whom disbursement from that account are made. Records may be examined by the director or his representative at any time.

SWIIS Elects Gammage President

Earl W. Gammage, Pan American group, has been elected president of Southwestern Insurance Information Service of Dallas, to succeed R. G. Waters, Pacific Employers. Elected vice-presidents are W. H. Damon Jr., Republic of Dallas; Walter Baer, Southwest General, and Huck Thompkins, Hardware Mutual Casualty. James F. Devereux, Anchor Casualty, was elected secretary-treasurer. Darby Hammond is executive director.

Named directors of the service are: Ben Voth, Standard of Tulsa; Murrell Tripp, Western Fire; William Glen-Walker, Millers Mutual Fire of Texas; Frank E. McBride, Kemper group; Charles W. Ferguson, Houston Fire & Casualty, and Woodrow W. Hathaway, Northwestern Mutual Fire.

Mr. Hammond reported that the association had made more than 1,000 speeches before civic and service clubs, women's groups, religious groups, military installations, employer and employe associations. A new film on jury service and citizenship, produced last year, was televised on 17 television stations in Texas, and viewed by thousands attending civic and service club and other group meetings. Mr. Hammond pointed out that many local bar associations had participated in programs promoting jury service at which the film was shown. He said the SWIIS will make 21 driver training awards to Texas high schools in November.

Health Insurance Assn. General Counsel Explains A&S Advertising Copy Pitfalls

Ways of avoiding trouble in A&S advertising copy were explained in a talk given by John P. Hanna, general counsel of Health Insurance Assn. of America, at the annual meeting of Life Insurance Advertisers Assn. in Philadelphia. He said the National Assn. of Insurance Commissioners' rules governing advertisements of accident and sickness insurance represent the conscientious efforts of nearly 100 industry representatives and some 35 state insurance department representatives. Although not inconsistent with previous rules, regulations and voluntary codes, they are more comprehensive and more specific. These rules implement in detail the fair trade practice acts and similar statutory authority in the various states. The NAIC rules are strict, perhaps in some respects more strict than absolutely required by law, he said, but the A&S insurance business as a whole has concurred in strict rules because it desires its advertising to be above any possible reproach.

In order that the NAIC rules might be enforced with some degree of uniformity and companies might have even more specific direction in preparation of advertising, an Interpretive Guide was informally accepted by the NAIC in June, 1956. Since the adoption of the NAIC rules and the development of the Interpretive Guide, a majority of the states have adopted the rules as their own and others have indicated their intention to do so. It is already apparent that the NAIC rules have set the pattern for advertising throughout the U. S. and its territories.

Mr. Hanna said the rules do not require uniformity and need not hamper ingenuity. He outlined the "guideposts" he has developed in determining whether advertising meets the present standards, as follows:

1. All, full, complete and similar words and phrases. Avoid exaggeration in all advertising. This does not prohibit normal "puffing" statements concerning the excellence of your product or your company. On the other hand, do not state or imply that your policy covers more than it actually does cover. Don't say "pays hospital bills" when you really mean "helps pay hospital bills." Don't say "pays your doctor" if you mean "helps pay your doctor." Don't say "pays $5,000" without mentioning the deductible and daily limits, if any. Misleading exaggeration can happen when coverage is overstated or when the description of coverage is not complete.

2. Exceptions, reductions and limitations. The real problems in meeting A&S advertising standards arise in this area. The first question to be determined is whether a particular advertisement is an offer to contract, an invitation to inquire further, or institutional advertising. An offer to contract is easily recognized. It may be a proposal form, a newspaper advertisement, a form letter, or any type of advertisement which goes into considerable detail concerning a policy or plan it usually will include information

on the dollar amount of benefits, length of time benefits are paid, and the cost. It is a safe rule of thumb to assume that an advertisement which contains two of these three elements —dollar amount, period time or cost— must be an offer to contract and, therefore, must contain exceptions, reductions and limitations. This reasonable and logical because you have given the reader enough information so that he could reasonably decide that the policy advertised is the one which he should buy.

Institutional advertisements also are easy to recognize. They usually promote the name of the insurance company, its service and reliability, the type of insurance which it provides or the general concept and need for sickness and accident insurance. An institutional advertisement seldom refers to dollar amount, period of time, or cost. Such advertisements need not include exceptions, reductions and limitations. The invitation to inquire presents the most difficult problem. A simple rule of thumb is that an advertisement which mentions two of the three items—dollar amount, period of time, or cost—provides the reader with enough information so that he should also be apprised of the exceptions, reductions and limitations. An advertisement which mentions only one of these elements does not provide enough detail so that the exceptions, reductions and limitations must be mentioned. Although this rule of thumb can be very helpful, it certainly is not conclusive. An advertisement may go into such detail concerning the dollar amount of benefits that the average reader might logically decide that the policy advertised is the one that he should buy. In that case, the advertisement must contain exceptions, limitations and reductions even though the period of time and cost are not mentioned. Many companies use a rule of thumb which causes little difficulty when space is available—when in doubt, they include the additional material.

• • •

Having decided that the advertisement must contain the exceptions, limitations and reductions, the second question is which ones affect the basic provisions of the policy. Here the two lists appearing on pages 10 and 11 of the Interpretive Guide can be extremely helpful. These lists are not entirely complete and they are not infallible, depending upon the type of coverage being offered. They do furnish an excellent guide and you should not have too much difficulty making this determination.

This area becomes difficult only for those advertisements falling close to the line between an institutional advertisement and an offer to contract, which goes into considerable detail. Unless there is a real problem of adequate space for the advertisement, it would appear that most companies have included the required material whenever in doubt as to the necessity for including it.

3. Pre-existing conditions. The comments above apply equally to pre-existing condition limitations. This is listed as a separate check point because of its importance.

4. Renewability. Any advertisement which must contain exceptions, reductions and limitations, must also contain information on renewability. In the case of guaranteed renewable policies, any modification upon the guarantee of renewability must be included. In addition, an advertisement which refers to the renewability provisions of a particular policy form, must include any modification upon the guarantee of renewability. Finally, an advertisement which refers to time or age in connection with eligibility of applicants or continuation of the policy must make clear the terms of renewability.

5. Surgical schedule. This check point is listed separately because of its importance and also because this appears to be the one substantial difference between the NAIC rules and the FTC rules. The NAIC rules require that the reference to surgical benefits must indicate that the maximum payment for different operations will vary, depending upon the nature of the operation. Mentioning the minimum as well as the maximum ($5 to $200) may help to make the advertisement clearer on this point. However, the FTC rules appear to require that the entire surgical schedule be included in the advertisement. Both rules apply only to advertisements which mention the maximum surgical benefit which is provided. He said he feels that the FTC rule is not reasonable and that compliance with the NAIC rule would be adequate to prevent the advertisements from being misleading. This is a decision which must be made by each company. Some companies have taken a middle course which includes compliance with the NAIC rule plus a listing of the maximum benefits for a few representative operations. This appears to be satisfactory as long as the listing is representative and does not include only the operations which have the higher or maximum benefits.

• • •

6. Waiting periods. The discussion applicable to exceptions, reductions and limitations is also applicable to waiting, elimination, probationary or similar periods. Again this check point is listed separately because of its importance.

7. In lieu of provisions. This is one of the exceptions listed on page 10 of the Interpretive Guide which generally should be included. It is mentioned separately only because it seems to be an item which is so frequently overlooked in the preparation of advertising in accordance with A&S advertising standards.

The method of disclosure and format of advertisements hould not cause undue difficulty, Mr. Hanna said. Required information concerning particular benefits naturally fits in best with the benefit or statement to which it relates. General exceptions, limitations or reductions such as pre-existing conditions, war and territorial restrictions, more naturally fit into a separate paragraph with a caption such as "limitations," "exclusions" or "not covered." Required information concerning modification of the statement that the policy is guaranteed renewable should follow immediately after that statement.

A statement that the advertisement is not a complete description, an offer of a free inspection of the policy or of a premium refund may be desirable but an insurer should never rely on such a statement to correct any basic faults or omissions in the advertising.

"We have examined a great deal of accident and sickness advertising in our office during the past three or four years," he concluded. "Regardless of further refinements and developments, and certainly without deciding here that advertising generally used prior to 1954 was in fact misleading, I am convinced that current advertising generally is conducted on a more accurate and ethical plane than that of any other industry."

Helms Named Casualty Claims Secretary Of Travelers Companies

Travelers has advanced Joseph O. Helms to secretary of casualty claims at the home office. He has been assistant secretary since 1947. He joined the companies at Detroit in 1928, later being placed in charge of compensation claims there. Appointed adjuster at Detroit in 1942, he was promoted and transferred to the home office as supervising adjuster the following year.

Joseph O. Helms

Royal-Globe Group Texas Region Wins Production Award

Royal-Globe group's Texas region, which scored highest in a nationwide intra-company "production for profit" competition, is the first to receive the company's president's cup.

Clarke Smith, U. S. manager and president of Royal-Globe made the presentation at a dinner in Dallas. Present were George J. Henry, Texas regional manager, members of the Texas field staff and key personnel of the group's Dallas and San Antonio offices.

The president's cup will be awarded annually with the winner chosen from those regions producing a profit for the three preceding years. Using a point system, regions are graded according to profit, controllable expense ratio and increase in written premiums.

All of the groups 25 regions participated in the competition.

National Board Fire Prevention Mailing Tops 18 Million Pieces

A preliminary report by National Board states National Fire Prevention Week mailings totaled 18,392,000 brochures, folders, posters and other mailing pieces in response to 7,500 orders. The mailing included 2,820 mats for use in newspaper advertising. The number of orders received for material does not include those submitted to the San Francisco office.

Hartford Fire Advances Copp, Is Consolidating Group Offices In N.Y.C.

Hartford Fire has appointed James H. Copp to the newly-created post of personnel assistant in the consolidated New York City offices of the group, which have a staff of 1,500.

Companies of the group, which previously occupied space at five separate locations in New York City, presently are moving to quarters on eight floors of the new office building at 123 William street.

Mr. Copp joined Hartford Fire at the home office in 1951 and was appointed a special agent in New Jersey in 1952. After serving in the same capacity at Wilkes-Barre, Pa., he returned to the home office in 1955 and since that time has conducted educational and sales meetings for company personnel and agents.

Jay B. Bigger has joined Corbel & Co., adjusters at Houston. He has been in the business for 9½ years.

Canfield Promoted To V-P In Texas For Pacific National

Pacific National group has promoted M. L. Canfield to resident vice-president in Dallas for all operations in Texas. He recently joined Pacific National as manager for the Texas field.

Simultaneously the appointment was announced of Roger Bridgwater as special agent and the transfer of Jack A. Crafton from Ruston, La., to Dallas as special agent and claims manager.

Mr. Bridgwater has been Atlanta manager for Southwest General. Mr. Crafton began his insurance career with Crawford & Co. and before joining Pacific National had been claims manager and production-liaison for National Surety in Louisville.

Mr. Canfield, for many years in charge of Texas for Home, was president of Dallas Ins. Co. before joining Pacific National.

Springfield F.&M. Advances Two To Assistant Secretaries

Springfield F.&M. has elected Theodore F. Angell and Roderick McDonald assistant secretaries of the companies.

Mr. Angell was in the field for the group 26 years prior to transferring to the home office in 1955 as manager of the western Massachusetts service office. Recently he was named agency superintendent in charge of field operations for Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania and Virginia.

Mr. McDonald joined the group in 1950 as chief claims examiner and was promoted to superintendent of claims in 1953. He received his CPCU designation last year. As assistant secretary in charge of casualty claims, he succeeds Secretary Stanwood W. Searles who has been appointed to a newly-created line position in the eastern departmental office.

Atomic Energy Commission has issued permits for access to restricted data of use in peaceful applications of nuclear energy to Indemnity of North America and Michigan Mutual Liability, and removed the name of the former from the permit previously held in conjunction with Ins. Co. of North America.

Bradford Smith Jr., (right), executive vice-president of North America, is guest of Dave Garroway on his TV show "Today," on the anniversary of the Chicago fire. In connection with Fire Prevention Week, Mr. Smith described the main causes of the 300,000 fires which damage American homes each year and suggested common sense fire preventatives.